

Planning by	Reviewed	Performed by	Final review



Mogale City Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Municipality
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act no. 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr K.C. Seerane
	Speaker: Cllr. S.M. Thupane
	Chief Whip: Cllr S. Dube
Councillors	MPAC: M.A. Mdzeke MMC Finance: Cllr F.O. Bhayat MMC Human Settlement and Rural Development: Cllr K.A Setswalo-Moja MMC Roads & Transport: Cllr B. Friedman MMC Corporate Support Services: Cllr M.A. Mathibe MMC Infrastructure Services: Cllr S. Letsie MMC Economic Services: Cllr M. Khuzwayo MMC Health and Social Services: Cllr E. Mathe MMC Integrated Environment Management: Cllr N.C. Mangole MMC Sports and Recreation: Cllr N. Kufa MMC Public Safety: Cllr N.E. Mdlulwa
Grading of local authority	High Capacity (Grade 5)
Accounting Officer	Mr D.M Mashitisho
Chief Finance Officer (CFO)	Mr L.M.E Mahuma
Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp 1740
Bankers	Standard Bank of South Africa
Auditors	Auditor - General South Africa (AGSA)

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4 - 5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Appropriation Statement	11 - 13
Accounting Policies	14 - 29
Notes to the Annual Financial Statements	27 - 82

Abbreviations

COIDA	Compensation for Occupational Injuries and Diseases Act
GDCOGTA	Gauteng Department of Co-operative Governance and traditional Affairs
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
MSIG	Municipal System Improvement grant
NDPG	Neighbourhood Development and Partnership Grant
GDARD	Gauteng Department of Agriculture and Rural Development
LGSETA	Local Government Services Sector Education & Training Authority
DHS	Department of Human Settlement
DOE	Department of Energy
WRDM	West Rand District Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SRAC	Sports, Recreation, Arts & Culture
AICP	Accelerated Infrastructure Community Grant
UIF	Unemployment Insurance Fund

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, he sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer have reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the municipality has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the management is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The annual financial statements set out on page 4 to 82, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016:

Accounting Officer
Dan Mashitisho

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
ASSETS			
CURRENT ASSETS			
Inventories	2	15 138 072	15 159 398
Receivables from non-exchange transactions	3	158 786 370	153 103 387
Receivables from exchange transactions	4	327 477 751	278 110 052
Cash and cash equivalents	5	67 291 647	165 896 535
Operating lease asset	6	200 245	191 997
		568 894 085	612 461 369
NON-CURRENT ASSETS			
Investment property	7	527 178 350	534 026 900
Property, plant and equipment	8	5 558 646 530	5 360 549 020
Intangible assets	9	17 660 156	20 904 839
Heritage assets	10	2 451 665	1 445 745
Financial assets	11	70 293 734	61 607 559
		6 176 230 435	5 978 534 063
Non-Current Assets		6 176 230 435	5 978 534 063
Current Assets		568 894 085	612 461 369
Total Assets		6 745 124 520	6 590 995 432
LIABILITIES			
CURRENT LIABILITIES			
Employee benefit obligation	13	11 838 483	13 197 814
Finance lease obligation	14	20 262 230	3 884 181
Unspent conditional grants and receipts	15	14 485 070	1 712 126
Provisions	16	15 272 550	14 084 708
Payables from non-exchange transactions	18	84 304 630	78 450 492
Payables from exchange transactions	19	582 549 941	439 463 989
Financial liabilities	20	33 813 873	41 345 977
Sundry deposits	21	10 702 565	10 590 585
VAT payable	22	47 523 617	60 770 901
Consumer deposits	23	56 628 022	50 541 773
		877 380 981	714 042 546
NON-CURRENT LIABILITIES			
Employee benefit obligation	13	219 721 398	215 003 265
Finance lease obligation	14	29 784 761	7 675 114
Provisions	16	19 638 455	16 420 886
Financial liabilities	20	477 170 702	511 478 252
		746 315 316	750 577 517
NON-CURRENT LIABILITIES		746 315 316	750 577 517
CURRENT LIABILITIES		877 380 981	714 042 546
TOTAL LIABILITIES		1 623 696 297	1 464 620 063
Assets		6 745 124 520	6 590 995 432
LIABILITIES		(1 623 696 297)	(1 464 620 063)
NET ASSETS		5 121 428 223	5 126 375 369

* See Note 45

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Social Responsibility Fund		12 659 572	10 433 872
Accumulated surplus		5 108 768 651	5 115 941 497
Total Net Assets		5 121 428 223	5 126 375 369

* See Note 45

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	1 386 034 380	1 223 242 286
Rental of facilities and equipment	27	3 315 643	3 365 967
Interest received - Outstanding debtors		17 035 652	22 291 041
Income from agency services	28	24 960 831	22 184 201
Licences and permits		28 004	19 448
Other income	29	127 036 968	93 783 177
Interest received - investment	30	15 346 787	17 285 892
Dividends received	30	20 325	18 666
Total revenue from exchange transactions		1 573 778 590	1 382 190 678
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	440 497 528	394 494 590
Penalties and Collections charges	31	25 046 273	24 995 256
Transfer revenue			
Government grants & subsidies	32	424 739 685	350 004 566
Fines, penalties and forfeits	25	135 658 401	107 414 989
Total revenue from non-exchange transactions		1 025 941 887	876 909 401
		1 573 778 590	1 382 190 678
		1 025 941 887	876 909 401
Total revenue		2 599 720 477	2 259 100 079
Expenditure			
Employee related costs	33	(579 223 901)	(536 545 384)
Remuneration of councillors	34	(26 690 207)	(25 254 319)
Depreciation and amortisation	35	(237 045 580)	(229 603 907)
Impairment loss	36	(22 515 182)	(2 334 426)
Finance costs	37	(39 232 014)	(43 109 777)
Debt Impairment	38	(186 320 910)	(228 042 341)
Collection costs		(40 759 981)	(27 700 579)
Repairs and maintenance	39	(77 079 923)	(66 561 967)
Bulk purchases	40	(807 589 020)	(699 766 360)
Contracted services	41	(243 139 189)	(195 884 664)
Transfers and Subsidies	42	(97 379 184)	(43 096 590)
General Expenses	43	(249 918 252)	(206 766 197)
Total expenditure		(2 606 893 343)	(2 304 666 511)
		-	-
Total revenue		2 599 720 477	2 259 100 079
Total expenditure		(2 606 893 343)	(2 304 666 511)
Operating surplus/deficit		-	-
Deficit before taxation		(7 172 866)	(45 566 432)
Taxation		-	-
Deficit for the year		(7 172 866)	(45 566 432)

* See Note 45

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

	Social Responsibility Fund	Accumulated surplus	Total net assets
Figures in Rand			
Balance at 01 July 2014	7 210 624	5 161 507 888	5 168 718 512
Changes in net assets			
Surplus/deficit for the year	-	(45 566 432)	(45 566 432)
Social Responsibility Fund	3 223 248	-	3 223 248
Total changes	3 223 248	(45 566 432)	(42 343 184)
Restated* Balance at 01 July 2015	10 433 872	5 115 941 491	5 126 375 363
Changes in net assets			
Surplus/deficit for the year	-	(7 172 866)	(7 172 866)
Social Responsibility Fund	2 225 700	-	2 225 700
Total changes	2 225 700	(7 172 866)	(4 947 166)
Balance at 30 June 2016	12 659 572	5 108 768 625	5 121 428 197

Note(s)

* See Note 45

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		461 911 867	370 073 273
Sale of goods and services		955 675 366	1 026 000 892
Grants		437 512 629	370 126 185
Interest income		15 346 787	17 285 892
Dividends received		20 325	18 666
Other receipts		108 221 862	296 928 256
		1 978 688 836	2 080 433 164
Payments			
Employee costs		(602 555 306)	(530 834 143)
Suppliers		(964 268 089)	(1 255 196 626)
Finance costs		(39 232 014)	(43 109 777)
		(1 606 055 409)	(1 829 140 546)
Total receipts		1 978 688 836	2 080 433 164
Total payments		(1 606 055 409)	(1 829 140 546)
Net cash flows from operating activities	46	372 633 427	251 292 618
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(456 496 273)	318 714 262
Purchase of investment property	7	-	(45 642 057)
Purchase of other intangible assets	9	(3 635 942)	(26 839 321)
Purchases of heritage assets	10	(1 005 920)	-
Financial Assets	11	(8 686 175)	(7 672 794)
Net cash flows from investing activities		(467 886 360)	(403 102 280)
Cash flows from financing activities			
Finance lease payments		3 848 696	7 946 315
Financial Liabilities		(41 839 654)	-
Net cash flows from financing activities		(3 351 958)	216 767 749
Net increase/(decrease) in cash and cash equivalents		(98 604 891)	69 191 931
Cash and cash equivalents at the beginning of the year		165 896 535	96 704 604
Cash and cash equivalents at the end of the year	5	67 291 644	165 896 535

* See Note 45

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	1 403 833 851	(51 005 858)	1 352 827 993	1 386 034 380	33 206 387	
Rental of facilities and equipment	3 447 269	(196 722)	3 250 547	3 315 643	65 096	
Interest received outstanding debtors	34 237 427	4 919 899	39 157 326	17 035 652	(22 121 674)	
Income from agency services	22 692 393	(508 192)	22 184 201	24 960 831	2 776 630	
Licence and permits	22 960	4 866	27 826	28 004	178	
Other income	86 172 804	78 774 913	164 947 717	127 036 968	(37 910 749)	
Interest received - investment	6 000 000	(1 146 229)	4 853 771	15 346 787	10 493 016	
Dividends received	-	-	-	20 325	20 325	
Total revenue	1 556 406 704	30 842 677	1 587 249 381	1 573 778 590	(13 470 791)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	368 043 579	52 573 695	420 617 274	440 497 528	19 880 254	
Penalties imposed	26 828 235	(4 069 623)	22 758 612	25 046 273	2 287 661	
Transfer revenue						
Government grants & subsidies	415 876 627	30 270 621	446 147 248	424 739 685	(21 407 563)	
Fines, penalties and forfeits	23 522 182	3 477 548	26 999 730	135 658 401	108 658 671	
Total revenue from non-exchange transactions	834 270 623	82 252 241	916 522 864	1 025 941 887	109 419 023	
'Total revenue from exchange transactions'	1 556 406 704	30 842 677	1 587 249 381	1 573 778 590	(13 470 791)	
	834 270 623	82 252 241	916 522 864	1 025 941 887	109 419 023	
Total revenue	2 390 677 327	113 094 918	2 503 772 245	2 599 720 477	95 948 232	
Expenditure						
Employee related costs	(576 304 483)	(6 394 070)	(582 698 553)	(579 223 901)	3 474 652	
Remuneration of councillors	(31 225 302)	4 343 011	(26 882 291)	(26 690 207)	192 084	
Depreciation and amortisation	(298 153 971)	-	(298 153 971)	(237 045 580)	61 108 391	
Impairment loss	-	-	-	(22 515 182)	(22 515 182)	
Finance costs	(56 034 794)	(479 626)	(56 514 420)	(39 232 014)	17 282 406	
Debt impairment	(109 675 195)	109 675 195	-	(186 320 910)	(186 320 910)	
Collection costs	(28 826 093)	(2 835 009)	(31 661 102)	(40 759 981)	(9 098 879)	
Repairs and maintenance	(86 301 571)	2 422 969	(83 878 602)	(77 079 923)	6 798 679	
Bulk purchases	(851 311 829)	3 089 836	(848 221 993)	(807 589 020)	40 632 973	
Contracted services	(222 536 765)	(26 405 833)	(248 942 598)	(243 139 189)	5 803 409	
Transfers and subsidies	(39 938 922)	(10 158 282)	(50 097 204)	(97 379 184)	(47 281 980)	
General expenses	(292 765 765)	17 295 979	(275 469 786)	(249 918 252)	25 551 534	
Total expenditure	(2 593 074 690)	90 554 170	(2 502 520 520)	(2 606 893 343)	(104 372 823)	
	(202 397 363)	203 649 088	1 251 725	(7 172 866)	(8 424 591)	
Deficit for the year	(202 397 363)	203 649 088	1 251 725	(7 172 866)	(8 424 591)	
Deficit before taxation	(202 397 363)	203 649 088	1 251 725	(7 172 866)	(8 424 591)	
Taxation	-	-	-	-	-	
	(202 397 363)	203 649 088	1 251 725	(7 172 866)	(8 424 591)	See note 47

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
s						

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	368 043 579	52 573 695	420 617 274	-		420 617 274	465 543 801		44 926 527	111 %	126 %
Service charges	1 403 833 851	(51 005 858)	1 352 827 993	-		1 352 827 993	1 386 034 380		33 206 387	102 %	99 %
Investment revenue	6 000 000	(1 146 229)	4 853 771	-		4 853 771	15 367 112		10 513 341	317 %	256 %
Transfers recognised - operational	274 719 886	(462 084)	274 257 802	-		274 257 802	272 822 081		(1 435 721)	99 %	99 %
Other own revenue	196 923 270	89 404 179	286 327 449	-		286 327 449	308 035 499		21 708 050	108 %	156 %
Total revenue (excluding capital transfers and contributions)	2 249 520 586	89 363 703	2 338 884 289	-		2 338 884 289	2 447 802 873		108 918 584	105 %	109 %
Employee costs	(576 304 483)	(6 394 070)	(582 698 553)	-	-	(582 698 553)	(579 223 901)	-	3 474 652	99 %	101 %
Remuneration of councillors	(31 225 302)	4 343 011	(26 882 291)	-	-	(26 882 291)	(26 690 207)	-	192 084	99 %	85 %
Debt impairment	(109 675 195)	-	(109 675 195)			(109 675 195)	(186 320 910)	-	(76 645 715)	170 %	170 %
Depreciation and asset impairment	(298 153 971)	-	(298 153 971)			(298 153 971)	(259 560 762)	-	38 593 209	87 %	87 %
Finance charges	(56 034 794)	(479 626)	(56 514 420)	-	-	(56 514 420)	(39 232 014)	-	17 282 406	69 %	70 %
Materials and bulk purchases	(937 613 400)	5 512 805	(932 100 595)	-	-	(932 100 595)	(807 589 020)	-	124 511 575	87 %	86 %
Transfers and grants	(39 938 922)	(10 158 282)	(50 097 204)	-	-	(50 097 204)	(97 379 184)	-	(47 281 980)	194 %	244 %
Other expenditure	(544 128 623)	(11 944 863)	(556 073 486)	-	-	(556 073 486)	(610 897 345)	-	(54 823 859)	110 %	112 %
Total expenditure	(2 593 074 690)	(19 121 025)	(2 612 195 715)	-	-	(2 612 195 715)	(2 606 893 343)	-	5 302 372	100 %	101 %
Total revenue (excluding capital transfers and contributions)	2 249 520 586	89 363 703	2 338 884 289	-	-	2 338 884 289	2 447 802 873	-	108 918 584	105 %	109 %
Total expenditure	(2 593 074 690)	(19 121 025)	(2 612 195 715)	-	-	(2 612 195 715)	(2 606 893 343)	-	5 302 372	100 %	101 %
Surplus/(Deficit)	(343 554 104)	70 242 678	(273 311 426)	-	-	(273 311 426)	(159 090 470)	-	114 220 956	58 %	46 %

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(141 156 741)	(24 066 038)	(165 222 779)	-		(165 222 779)	151 917 604		317 140 383	(92)%	(108)%
Surplus/(Deficit)	(343 554 104)	70 242 678	(273 311 426)	-	-	(273 311 426)	(159 090 470)	-	114 220 956	58 %	46 %
Capital transfers and contributions	(141 156 741)	(24 066 038)	(165 222 779)	-	-	(165 222 779)	151 917 604	-	317 140 383	(92)%	(108)%
Surplus (Deficit) after capital transfers and contributions	(484 710 845)	46 176 640	(438 534 205)	-		(438 534 205)	(7 172 866)		431 361 339	2 %	1 %
Surplus (Deficit) after capital transfers and contributions	(484 710 845)	46 176 640	(438 534 205)	-	-	(438 534 205)	(7 172 866)	-	431 361 339	2 %	1 %
Surplus/(Deficit) for the year	(484 710 845)	46 176 640	(438 534 205)	-		(438 534 205)	(7 172 866)		431 361 339	2 %	1 %

Capital expenditure and funds sources

Total capital expenditure	(293 360 149)	(178 927 538)	(472 287 687)	-		(472 287 687)	(434 890 630)		37 397 057	92 %	148 %
Sources of capital funds											
Transfers recognised - capital	(141 156 741)	(24 066 038)	(165 222 779)	-		(165 222 779)	(151 917 602)		13 305 177	92 %	108 %
Borrowing	(37 269 071)	(30 000 000)	(67 269 071)	-		(67 269 071)	(63 046 902)		4 222 169	94 %	169 %
Internally generated funds	(114 934 338)	(124 861 499)	(239 795 837)	-		(239 795 837)	(219 926 126)		19 869 711	92 %	191 %
Total sources of capital funds	(293 360 150)	(178 927 537)	(472 287 687)	-		(472 287 687)	(434 890 630)		37 397 057	92 %	148 %

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	282 892 430	19 982 909	302 875 339	-		302 875 339	372 633 427		69 758 088	123 %	132 %
Net cash from (used) investing	(243 360 149)	(178 927 538)	(422 287 687)	-		(422 287 687)	(467 886 360)		(45 598 673)	111 %	192 %
Net cash from (used) financing	(41 173 447)	(172 530)	(41 345 977)	-		(41 345 977)	(3 351 958)		37 994 019	8 %	8 %
Net increase/(decrease) in cash and cash equivalents	(1 641 166)	(159 117 159)	(160 758 325)	-		(160 758 325)	(98 604 891)		62 153 434	61 %	6 008 %
Cash and cash equivalents at the beginning of the year	1 857 996	163 923 931	165 781 927	-		165 781 927	165 896 535		114 608	100 %	8 929 %
Net increase / (decrease) in cash and cash equivalents	(1 641 166)	(159 117 159)	(160 758 325)	-	-	(160 758 325)	(98 604 891)	-	(62 153 434)	61 %	6 008 %
Cash and cash equivalents at the beginning of the year	1 857 996	163 923 931	165 781 927	-	-	165 781 927	165 896 535	-	(114 608)	100 %	8 929 %
Cash and cash equivalents at year end	216 830	4 806 772	5 023 602	-		5 023 602	67 291 644		(62 268 042)	1 340 %	31 034 %

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of measurement

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

1.6 GRAP Standards effective for the current financial year

During the current financial year, the following accounting standard, interpretation and amendments published by accounting standards board was adopted by the municipality during 2016 financial year: GRAP 26 Impairment of cash generating assets and GRAP 20 Related party disclosures. The municipality expects to adopt the standard of GRAP 20 for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the standard.

During the current financial year numerous standards were amended and improved. The municipality has adopted the improvements for the first time in the 2016 annual financial statements.

1.7 Standards approved not yet effective

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 32 Service Concession Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 108 Statutory receivables	Not yet effective	Not material – not applicable to entity currently
IGRAP 17 Service Concession arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 109 Accounting by Principals and Agents	Not yet effective	Not material – not applicable to entity currently
GRAP 18 Segment Reporting	Not yet effective	Not material – not applicable to entity currently

1.8 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements as they are not applicable to the business operations of Mogale City.

GRAP 4	The effects of changes in foreign exchange rates
GRAP 6	Consolidated and separate financial instruments
GRAP 7	Investments in associates
GRAP 8	Interest in joint ventures
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 27	Agriculture
GRAP 107	Mergers

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying the Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.9.3 Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service identifiable categories across all debtor classes.

1.9.4 Impairment of property, plant and equipment, heritage assets, intangible assets and investment property

The calculation in respect of the impairment of property, plant and equipment, heritage assets, intangible assets and investment property is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment, heritage assets, intangible assets and investment property.

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts. A difference of ten percent (10%) or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated according.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

2.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Mogale City use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

The future cash inflows used to determine the asset's or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing

2.5 Costs of disposal

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

2.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

2.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

2.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

2.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation)

2.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

2.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

2.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

2.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

- An estimate of the future cash flows the Municipality expects to derive from the asset;
- Expectations about possible variations in the amount or timing of those future cash flows;
- The time value of money, represented by the current market risk-free rate of interest
- The price for bearing the uncertainty inherent in the asset and
- Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

2.20 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

3.1.4 Derecognition of items of property, plant and equipment

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

The useful lives of items of property, plant and equipment have been assessed as follows:

ASSET TYPE	ECONOMIC USEFUL LIVES
Buildings	10 - 60
Plant and Machinery	2 - 15
Furniture and Fixtures	7 - 10
Motor Vehicles	3 - 10
Office Equipment	3 - 7
IT Equipment	5
Roads and Stormwater	3 - 100
Community Assets	15 - 50
Bins and Containers	5 - 10
Electricity Network	3 - 60
Emergency Equipment	5
Animals	2 - 26
Inventory Assets	1
Library Books	3 - 10
Waste Water Network	20 - 50
Water Network	5 - 50
Air Conditioners	5 - 20

3.2 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in net surplus or deficit when it becomes receivable.

3.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

- separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Mogale City do not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City do not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset.

Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit.

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

3.5 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
Distribution at no charge or for a nominal charge; or

Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the first in, first out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.6 Receivables

Receivables are recognised initially at fair value, plus transaction cost. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due. Accordingly the carrying amount of the asset is reduced through the use of an allowance account. The loss is recognised in surplus or deficit.

A provision is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.7 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.8 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.9 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.9.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.9.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.9.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

3.9.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.9.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.9.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.10 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

3.11 Impairment of non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

3.11.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash generating asset to which it relates, Mogale City recognises a liability only to the extent that is a requirement in the Standards of GRAP.

3.11.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

3.11.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.11.4 Depreciation/Amortisation

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

3.11.5 Redesignation

The redesignation of assets from a cash generating asset to a non-cash generating asset or from a non-cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

3.12 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

operating lease.

3.12.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.12.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

3.12.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.12.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rents are charged as expenses in the periods in which they are incurred.

3.13 Employee benefits

3.13.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.13.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

3.13.3 Retirement benefits

Defined contribution plans are post-employment benefit plans under which Mogale City pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

3.13.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.13.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.14 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.15 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

3.16 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.17 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.18 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the payment basis.

3.19 Revenue

Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service. Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period.

Residential sanitations service charges is based on taking 30kl of water consumption and multiply by applicable tariff for financial year or period. Business sanitation service charges is based on taking the twelve months water consumption multiply by the applicable tariff for the financial year or period. Basic Sewerages is based on taking the area size of the property multiply by the applicable tariff. Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.19.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Mogale City received revenue from another entity

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts

Subsequently, Mogale City evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind should be recognised if significant to operations and if not significant then the nature and type should be disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.20 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.21 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003); the Municipal Systems Act (Act No.32 of 2000); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.24 Related parties

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political office bearers of Mogale City and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

3.25 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Mogale City only discloses capital commitments in the financial statements.

3.27 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

(continued)

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.28 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

2. Inventories

Consumable stores	13 183 787	13 394 031
Water	407 518	355 113
Other (Sub Stores)	1 546 767	1 410 254
	15 138 072	15 159 398

3. Receivables from non-exchange transactions

	Gross balance	2016 Allowance for impairment	Net balance	Gross balance	2015 Allowance for impairment	Net balance
Property rates	247 645 560	(241 285 924)	6 359 636	271 734 834	(228 570 349)	43 164 485
Other receivables and traffic fines	296 980 615	(226 563 500)	70 417 115	245 663 559	(194 053 530)	51 610 029
Credit balances transfered to payables from non exchange	82 009 619	-	82 009 619	58 328 873	-	58 328 873
	626 635 794	(467 849 424)	158 786 370	575 727 266	(422 623 879)	153 103 387

The Ageing amounts property rates

Current (0-30 days)	65 793 141	266 925 879
31-60 days	14 641 484	1 828 732
61-90 days	5 221 896	1 089 796
91-120 days	8 044 046	(14 396)
+ 120 days	153 944 993	1 904 823
	247 645 560	271 734 834

Revenue from non-exchange transactions (other receivables and traffic fines)

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
3. Receivables from non-exchange transactions (continued)		
The Ageing amounts		
Current (0-30 days)	151 565 843	215 617 374
31-60 days	2 309 316	1 701 371
91-120 days	7 381 644	3 287 559
120+	135 723 812	25 057 255
	296 980 615	245 663 559
Credit balance transferred to creditors		
Current (0-30 days)	14 152 670	12 124 660
31-60 days	3 215 163	3 427 410
61-90 days	6 040 930	2 005 541
91-120 days	9 714 634	2 064 916
120+	48 886 222	38 706 346
	82 009 619	58 328 873
Receivables from non-exchange transactions pledged as security		
None of other receivables from non-exchange transactions were pledged as security for overdraft facilities.		
Receivables from non-exchange transactions past due date but not impaired		
Rates	27 907 425	2 904 131
Other receivables and traffic Fines	9 690 960	4 988 930
Receivables from non-exchange transactions past due date but not impaired comprises of receivables past 30 days but not older than 120 days.		
Rconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	422 623 880	301 445 333
Current year contribution	99 206 861	134 720 086
Impairment	(53 981 317)	(13 541 540)
	467 849 424	422 623 879

As at 30 June 2016, total receivables from non exchange transactions were R626 635 794 (2015: R575 727 266).

The amount of the provision for impairment was R467 849 424 as at 30 June 2016 (2015: R422 623 879). The percentage of the provision against total receivables from non exchange transactions was 74.66% as at 30 June 2016 (2015: 73.41%).

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

4. Receivables from exchange transactions

Receivables per category	2016			2015		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	145 374 298	(37 830 635)	107 543 663	118 862 880	(26 250 982)	92 611 898
Water	146 147 678	(110 507 672)	35 640 006	127 295 389	(85 630 948)	41 664 441
Sundry debtors and loans	76 288 115	(37 604 287)	38 683 828	56 489 332	(41 544 171)	14 945 161
Sewerage	120 389 497	(101 079 380)	19 310 117	109 226 034	(83 929 570)	25 296 464
Refuse	151 741 471	(141 204 364)	10 537 107	132 191 916	(116 992 356)	15 199 560
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	217 058 279	(109 740 096)	107 318 183	184 267 218	(104 071 363)	80 195 855
Subtotal	856 999 338	(537 966 434)	319 032 904	728 332 769	(458 419 390)	269 913 379
Sundry staff leave & Personal interim advances	1 679 885	-	1 679 885	278 018	-	278 018
Credit balance transfered to creditors	6 764 962	-	6 764 962	7 918 656	-	7 918 656
	8 444 847	-	8 444 847	8 196 674	-	8 196 674
	865 444 185	(537 966 434)	327 477 751	736 529 443	(458 419 390)	278 110 053

Electricity

Current (0 -30 days)	95 758 155	103 840 590
31 - 60 days	12 101 004	1 431 374
61 - 90 days	2 596 492	709 937
91 - 120 days	3 056 524	907 412
121 - 365 days	31 862 123	11 973 566
	145 374 298	118 862 879

Water

Current (0 -30 days)	25 978 328	61 069 643
31 - 60 days	12 308 650	2 241 777
61 - 90 days	4 410 297	1 505 422
91 - 120 days	6 435 467	1 735 918
121 - 365 days	97 014 936	60 742 629
	146 147 678	127 295 389

Sewerage

Current (0 -30 days)	17 670 492	58 725 729
31 - 60 days	5 689 061	1 665 258
61 - 90 days	3 348 826	1 376 321
91 - 120 days	2 978 547	1 275 549
121 - 365 days	90 702 571	46 183 177
	120 389 497	109 226 034

Refuse

Current (0 -30 days)	13 356 990	42 418 957
31 - 60 days	4 698 025	1 279 600
61 - 90 days	3 128 148	1 136 173
91 - 120 days	2 728 658	991 787
121 - 365 days	127 829 650	86 365 399
	151 741 471	132 191 916

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
4. Receivables from exchange transactions (continued)		
Sundry Debtors and Loans		
Current (0 -30 days)	35 833 241	7 697 401
31 - 60 days	5 928 785	499 734
61 - 90 days	(1 193 729)	5 691 212
91 - 120 days	8 479	(330 076)
121 - 365 days	35 711 339	42 931 061
	76 288 115	56 489 332
Other		
Current (0 -30 days)	34 793 502	92 929 698
31 - 60 days	11 722 415	2 090 121
61 - 90 days	6 032 345	1 625 453
91 - 120 days	5 260 871	2 562 343
121 - 365 days	159 249 145	85 059 603
	217 058 278	184 267 218
Credit quality from receivables exchange transaction		
The credit quality of consumer debtors that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Receivables from exchange transactions impaired		
As at 30 June 2016, total receivable from transactions were R865 444 185 (2015: R736 529 442).		
The amount of the provision was R537 966 434 as at 30 June 2016 (2015: R458 419 390). The percentage of the provision against total receivables from exchange transactions was 62.16% as at 30 June 2016 (2015: 62.24%)		
Receivables from exchange transactions past due date but not impaired:		
Electricity	17 754 019	3 048 723
Water	23 154 414	5 483 117
Sewerage	12 016 434	4 317 128
Refuse	10 554 830	3 407 559
other	80 697 912	38 530 013
Sundry debtors and loans	5 395 612	13 066 144
	149 573 221	67 852 684
Receivables from exchange transactions past due date but not impaired comprises of receivables past 30 days but not older than 120 days.		
Reconciliation of allowance for impairment		
Balance at beginning of the year	458 419 390	487 885 153
Contributions to provision	87 155 578	93 404 357
Provision for impairment/write off	(7 608 534)	(122 870 120)
	537 966 434	458 419 390
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	33 397	32 419

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Bank balances	26 084 761	31 176 796
Call accounts money market accounts	41 173 489	134 687 320
	67 291 647	165 896 535
Current assets	67 291 647	165 896 535
Current liabilities	-	-
	67 291 647	165 896 535

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral [This collateral are held by South African Post Office]	500 000	500 000
--	---------	---------

2016

Guarantee held at Standard Bank call account no:728430118-001 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in aggregate the sum of R 500,000

500 000 500 000

2015

Guarantee held at Standard Bank call account no:728430118-001 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in aggregate the sum of R 500,000

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Standard Bank- 021307482	441 079	5 867 458	653 942	441 736	5 868 135	654 139
Standard Bank-021307474	6 618 120	6 756 966	3 801 902	6 618 120	6 756 966	3 801 902
Cheque Accounts						
Standard Bank- 021307385	33 773	34 433	35 003	33 773	34 433	35 003
Cheque Accounts						
Standard Bank- 021307172	231 162	268 006	415 914	200 138	268 511	412 880
Cheque Accounts						
Standard Bank- 021307105	1 839 765	6 590 471	9 736 528	1 840 124	6 590 707	9 736 630
Cheque Accounts						
Standard Bank-021306958	3 064 347	1 344 981	2 297 149	1 805 078	748 471	2 051 968
Cheque Accounts						
Standard Bank-021306532	15 148 839	10 910 201	10 513 069	15 145 791	10 909 572	10 513 389
Cheque Accounts						
Call Account	41 173 489	134 687 320	69 472 679	41 173 489	134 687 320	69 472 679
Petty Cash	33 397	32 419	26 014	33 397	32 419	26 014
Total	68 583 971	166 492 255	96 952 200	67 291 646	165 896 534	96 704 604

2016

Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R1 292 325 relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

2015

Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R595,721 relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.

They are usually termed 'heldovers' and should ideally be captured under retrospective date to ensure proper accounting.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

6. Operating lease asset

Non-current assets	-	-
Current assets	200 245	191 997
	200 245	191 997

Leases of assets where all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Monies received under operating leases are charged to the statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The lease terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10 % per annum.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

7. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	527 178 350	-	527 178 350	534 026 900	-	534 026 900

Reconciliation of investment property - 2016

	Opening balance	Fair Value Adjustments	Total
Investment property	534 026 900	(6 848 550)	527 178 350

Reconciliation of investment property - 2015

	Opening balance	Capital Expenditure (WIP)	Derecognition	Donations	Fair Value Adjustment	Total
Investment property	507 367 638	7 215 592	(589 125)	1 050 000	18 982 795	534 026 900

2016

The fair values of the Investment Property assets were initially established based on amounts determined in the preparation of the valuation roll 2009, and have been subsequently adjusted based on trend in sales prices for the retrospective financial years.

The fair value adjustment based on the trend of actual sales price were based on data sourced from the Lightstone toolkit that records all sales transactions per suburb on a monthly basis. The trend is indicated reflecting a decrease of 1,30% on the previous sales.

2015

The latest valuation roll was obtained from the municipality and the values for individual properties extracted. The fair value adjustment is based on the trend sales price where data sourced from the Lightstone website that records all sales transactions per suburb on monthly basis (425 in the last year). The trend indicates an increase of 3,87% on the previous values.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 373 712	-	33 373 712	33 373 712	-	33 373 712
Buildings	546 003 031	(329 531 240)	216 471 791	536 475 264	(320 015 663)	216 459 601
Plant and machinery	27 706 541	(18 479 827)	9 226 714	24 241 299	(16 355 688)	7 885 611
Furniture and fixtures	12 374 759	(8 533 114)	3 841 645	11 413 254	(7 330 126)	4 083 128
Motor vehicles	17 398 680	(16 072 833)	1 325 847	17 372 480	(15 575 237)	1 797 243
Office equipment	5 619 334	(5 245 408)	373 926	5 541 489	(4 794 163)	747 326
IT equipment	13 599 673	(8 421 071)	5 178 602	11 799 346	(6 363 106)	5 436 240
Capital WIP Building Property	8 968 397	(3 074 340)	5 894 057	16 312 241	-	16 312 241
Capital WIP Community	109 203 162	(12 213 928)	96 989 234	76 331 591	-	76 331 591
Roads & Stormwater	3 453 608 318	(1 315 509 476)	2 138 098 842	3 401 394 036	(1 246 985 620)	2 154 408 416
Community assets	1 037 958 792	(410 182 450)	627 776 342	1 000 535 326	(389 846 312)	610 689 014
Capital WIP Roads & Stormwater	85 499 354	(78 699)	85 420 655	23 975 745	-	23 975 745
Capital WIP Sanitation Network	81 780 367	(275 916)	81 504 451	43 726 670	-	43 726 670
Capital WIP Electricity Network	54 627 538	(2 186 447)	52 441 091	18 010 058	-	18 010 058
Bins and containers	8 210 130	(7 135 619)	1 074 511	7 801 202	(6 846 034)	955 168
Capital WIP Movable Assets	5 329 164	(647 835)	4 681 329	5 400 640	-	5 400 640
Electricity Network	2 775 271 129	(1 729 567 140)	1 045 703 989	2 775 139 168	(1 685 144 417)	1 089 994 751
Emergency equipment	87 793	(68 134)	19 659	87 793	(51 029)	36 764
Other leased Assets	123 445 066	(76 361 059)	47 084 007	60 971 010	(49 523 210)	11 447 800
Capital WIP Water Network	84 351 286	(3 946 415)	80 404 871	87 988 566	-	87 988 566
Animals PPE	6 482 303	(3 473 988)	3 008 315	5 446 524	(2 920 167)	2 526 357
Inventory items	1 867 650	(1 844 916)	22 734	1 798 801	(1 779 170)	19 631
Library books	21 450 601	(15 742 164)	5 708 437	18 943 582	(11 455 805)	7 487 777
Wastewater network	1 227 118 877	(734 107 881)	493 010 996	1 195 146 467	(712 064 188)	483 082 279
Water network	1 116 670 189	(596 661 174)	520 009 015	1 028 021 976	(569 656 459)	458 365 517
Air conditioners	722 163	(720 405)	1 758	722 163	(714 989)	7 174
Total	10 858 728 009	(5 300 081 479)	5 558 646 530	10 407 970 403	(5 047 421 383)	5 360 549 020

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2016

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In/Out)	Derecognition	Depreciation	Additions	Impairment loss	Total
Land	33 373 712	-	-	-	-	-	-	-	33 373 712
Buildings	216 459 601	-	-	10 517 796	(990 030)	(9 515 576)	-	-	216 471 791
Plant and machinery	7 885 611	-	-	3 490 105	(24 862)	(2 124 140)	-	-	9 226 714
Furniture and fixtures	4 083 128	-	-	1 015 797	(54 292)	(1 202 988)	-	-	3 841 645
Motor vehicles	1 797 243	-	-	26 200	-	(497 596)	-	-	1 325 847
Office equipment	747 326	-	-	93 343	(5 755)	(460 988)	-	-	373 926
IT equipment	5 436 240	-	-	1 887 390	(87 064)	(2 057 964)	-	-	5 178 602
Capital Wip Building Property	16 312 241	2 910 683	-	(10 254 527)	-	-	-	(3 074 340)	5 894 057
Capital Wip Community	76 331 591	109 420 968	-	(76 549 396)	-	-	-	(12 213 929)	96 989 234
Roads & Stormwater	2 154 408 416	-	-	52 334 870	(120 587)	(68 523 857)	-	-	2 138 098 842
Community assets	610 689 014	-	-	39 277 738	(1 854 272)	(20 336 138)	-	-	627 776 342
Capital WIP Roads & Stormwater	23 975 745	112 239 604	-	(50 715 995)	-	-	-	(78 699)	85 420 655
Capital WIP Sanitation Network	43 726 670	48 645 798	-	(10 592 101)	-	-	-	(275 916)	81 504 451
Capital WIP Electricity network	18 010 058	36 657 134	-	(39 654)	-	-	-	(2 186 447)	52 441 091
Bins and containers	955 168	-	-	408 928	-	(289 585)	-	-	1 074 511
Capital WIP Movable assets	5 400 640	7 524 352	-	(7 595 828)	-	-	-	(647 835)	4 681 329
Electricity Network	1 089 994 751	-	-	1 406 076	(1 274 114)	(44 422 724)	-	-	1 045 703 989
Emergency equipment	36 764	-	-	-	-	(17 105)	-	-	19 659
Other leased Assets	11 447 800	-	-	-	-	(26 837 849)	62 474 056	-	47 084 007
Capital WIP Water Network	87 988 566	76 614 678	-	(80 251 958)	-	-	-	(3 946 415)	80 404 871
Animals PPE	2 526 357	-	1 091 940	-	(56 161)	(553 821)	-	-	3 008 315
Inventory assets	19 631	-	-	70 148	-	(67 045)	-	-	22 734
Library books	7 487 777	-	159 991	2 347 029	-	(4 286 360)	-	-	5 708 437
Waste water network	483 082 279	-	-	31 978 280	(5 871)	(22 043 692)	-	-	493 010 996
Water network	458 365 517	-	-	91 145 759	(2 497 547)	(27 004 714)	-	-	520 009 015
Air conditioner	7 174	-	-	-	-	(5 416)	-	-	1 758
	5 360 549 020	394 013 217	1 251 931	-	(6 970 555)	(230 247 558)	62 474 056	(22 423 581)	5 558 646 530

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2015

	Opening balance	WIP Capital Expenditure	WIP Transfer (In/Out)	Donation	Derecognition	Depreciation	Impairment loss	Total
Land	33 373 712	-	-	-	-	-	-	33 373 712
Buildings	228 477 145	-	-	-	-	(12 017 544)	-	216 459 601
Plant and machinery	9 015 103	-	1 182 384	-	-	(2 311 876)	-	7 885 611
Furniture and fixtures	4 162 422	-	973 752	-	(1 797)	(1 051 249)	-	4 083 128
Motor vehicles	2 357 994	-	-	-	(29 065)	(531 686)	-	1 797 243
Office equipment	852 420	-	241 068	-	(104 016)	(242 146)	-	747 326
IT equipment	2 055 707	-	4 348 883	354 370	(40 274)	(1 282 446)	-	5 436 240
Capital Wip Building Property	6 289 095	10 023 146	-	-	-	-	-	16 312 241
Capital Wip Community	39 121 109	59 379 675	(22 169 193)	-	-	-	-	76 331 591
Roads & Stormwater	2 172 903 433	-	54 236 076	-	(1 454 337)	(71 276 756)	-	2 154 408 416
Community assets	615 509 311	589 125	19 953 351	-	(43 568)	(23 772 763)	(1 546 442)	610 689 014
Capital WIP Roads & Stormwater	20 897 776	55 098 203	(52 020 234)	-	-	-	-	23 975 745
Capital WIP Sanitation Network	31 098 071	22 455 089	(9 826 490)	-	-	-	-	43 726 670
Capital WIP Electricity network	110 576 663	54 504 788	(147 071 393)	-	-	-	-	18 010 058
Bins and containers	717 658	-	436 206	-	-	(198 696)	-	955 168
Capital WIP Movable assets	1 245 659	12 583 961	(8 428 980)	-	-	-	-	5 400 640
Electricity Network	954 253 784	-	147 071 392	37 790 124	(2 044 558)	(47 075 991)	-	1 089 994 751
Emergency equipment	25 078	-	24 995	-	-	(13 309)	-	36 764
Other leased Assets	3 199 520	24 953 908	-	-	-	(16 705 628)	-	11 447 800
Capital WIP Water Network	34 532 598	92 967 792	(39 511 824)	-	-	-	-	87 988 566
Animals PPE	1 581 264	-	-	1 383 381	(28 487)	(409 801)	-	2 526 357
Inventory assets	57 029	-	57 309	-	-	(94 707)	-	19 631
Library books	8 129 655	-	1 264 383	-	61 137	(1 967 398)	-	7 487 777
Wastewater network	492 661 644	-	14 279 177	-	-	(23 858 542)	-	483 082 279
Water network	449 123 472	-	35 059 137	-	-	(25 817 092)	-	458 365 517
Air conditioner	15 406	-	-	-	-	(8 232)	-	7 174
	5 222 232 728	332 555 687	99 999	39 527 875	(3 684 965)	(228 635 862)	(1 546 442)	5 360 549 020

A register as required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

Asset class	Capital Cost Open	Capital Cost Year	Closing Cost
Community Assets	5 821 105	-	5 821 105
Electricity Network	2 265 943	-	2 265 943
Investment Property	7 215 593	-	7 215 593
Sanitation Network	5 460 894	-	5 460 894
Water Supply Network	4 718 312	-	4 718 312
Subtotal	25 481 847	-	25 481 847
	25 481 847	-	25 481 847

Community Assets

The projects with no CAPEX in the year of review are as follows : Game Reserve fencing, Small Parks development and construction of gaurdhouse. The delay can be attributed to no budget in the reporting year, the projects should be completed in the next financial year.

Electricity Network

The projects listed under electricity are still at the planning phase, only drawings and profesional fees were paid and they are yet to be implemented if there are funds available.

Investment Property

An amount was transferred to the attorneys for acquisition of the land earmarked for development and the process of registering the land is underway.

Sanitation Network

The projects listed under Sanitation includes Dr Sefularo, Kenmare pump station, Lindley Waste Water Treatment Work project, and Muldersdrift outfall sewer. The listed projects were not expended in the financial year under of review due to insufficient funds, a significant amount of these projects are in the planning stage and require a lot of money to implement.

Water Supply Network

The projects with no capex for the financial year under review are as follows: Kromdraai Pipeline, New Muldersdrift Resevior, and Mindalora Pipeline replacement. The halt in implementing the projects are largely due to insufficient funds. The kromdraai pipeline failed testing stage and might require more work in the current year.

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	30 850 862	(18 734 574)	12 116 288	15 822 412	(11 844 946)	3 977 466
Capital WIP-Intangible assets	5 543 868	-	5 543 868	16 927 373	-	16 927 373
Total	36 394 730	(18 734 574)	17 660 156	32 749 785	(11 844 946)	20 904 839

Reconciliation of intangible assets - 2016

	Opening balance	WIP-Capital Expenditure	WIP Transfer (In/Out)	Amortisation	Impairment	Total
Computer software	3 977 466	-	15 028 449	(6 798 026)	(91 601)	12 116 288
Capital WIP-Intangible Assets	16 927 373	3 644 944	(15 028 449)	-	-	5 543 868
	20 904 839	3 644 944	-	(6 798 026)	(91 601)	17 660 156

Reconciliation of intangible assets - 2015

	Opening balance	WIP-Capital Expenditure	WIP Transfer (In/Out)	Amortisation	Derecognition	Total
Computer software	13 229 329	-	2 596 560	(11 844 946)	(3 477)	3 977 466
Capital WIP-Intangible Assets	2 508 040	17 015 893	(2 596 560)	-	-	16 927 373
	15 737 369	17 015 893	-	(11 844 946)	(3 477)	20 904 839

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

9. Intangible assets (continued)

Intangible assets

The capital expenditure relates to the aquisition of computer software that were purchased but not yet ready for use.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

10. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library books, chief mogale statue & concentration graves	2 451 665	-	2 451 665	1 445 745	-	1 445 745

Reconciliation of heritage assets 2016

	Opening balance	Capital WIP Expenditure	Total
Library books, Chief Mogale statue & concentration camp graves	1 445 745	1 005 920	2 451 665

Reconciliation of heritage assets 2015

	Opening balance	Additions	Disposals	Total
Library books, Chief Mogale statue & concentration camp graves	1 442 130	1 915	1 700	1 445 745

Heritage assets

Chief Mogale Statue, Concentration Camp Graves & Kagiso Monument

2016

Additions relate to the construction of the Hero's acre in Kagiso.

2015

A fair value of heritage assets was conducted by a qualified professional valuer, in line with the requirements of GRAP 103 as well as the standards and norms for heritage assets as per the Assets Management policy that was adopted by the municipality. The initial recognition of heritage assets is based on the replacement cost method meaning that the cost of heritage assets is based on determining the cost of reconstructing the asset.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
11. Financial assets		
Residual interest at cost		
Listed shares(9670 interest in ordinary shares)	589 114	647 478
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R60.36 (2015:66.34) per share.		
At amortised cost		
Investments	69 704 620	60 960 081
These investments are held by RMB (Rand Merchant Bank) which are sinking funds for the long term loans maturing in December 2017.		
Non-current assets		
At fair value(quoted prices (unadjusted) in active markets for identical assets or liabilities	589 114	647 478
At amortised cost	69 704 620	60 960 081
	70 293 734	61 607 559
Non-current assets	70 293 734	61 607 559
Current assets	-	-

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2016

	Financial instruments at fair value	Financial instruments at amortised	Total
Financial assets (Instruments) (refer to note 11)	589 114	69 704 620	70 293 734
Receivables from non- exchange transctions (refer to note 3)	-	158 786 370	158 786 370
Receivable from exchange transactions (refer to note 4)	-	327 477 751	327 477 751
Call accounts money market accounts (refer to note 5)	-	41 173 489	41 173 489
Cash and cash equivalents(refer to note 5)	-	26 118 157	26 118 157
	589 114	623 260 387	623 849 501

2015

	Financial Instruments at fair value	Financial instruments at amortised	Total
Financial assets (Instruments) (refer to note 11)	647 478	60 960 081	61 607 559
Receivables from non- exchange transactions(refer to note 3)	-	153 103 307	153 103 307
Receivable from exchange transaction (refer note to 4)	-	278 110 052	278 110 052
Call accounts money market account (refer to note 5)	-	134 687 320	134 687 320
Cash and cash equivalents (refer to note 5)	-	31 209 214	31 209 214
	647 478	658 069 974	658 717 452

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Medical aid fund	(176 483 960)	(177 333 692)
Long service awards	(54 216 439)	(49 818 016)
Ex-gratia benefits	(859 482)	(1 049 371)
	(231 559 881)	(228 201 079)
Non-current liabilities	(219 721 398)	(215 003 265)
Current liabilities	(11 838 483)	(13 197 814)
	(231 559 881)	(228 201 079)

The employee benefit obligations were prepared by ARCH Actuarial Consulting.

Changes in the present value of the defined benefit obligation are as follows: Medical aid subsidy

Opening balance	177 333 692	149 173 423
Net expense recognised in the statement of financial performance	(849 733)	28 160 269
	176 483 959	177 333 692

Changes in the present value of the defined benefit obligation are as follows: Long service award

Opening balance	49 818 016	46 801 479
Net expense recognised in the statement of financial performance	4 398 423	3 016 537
	54 216 439	49 818 016

Changes in the present value of the defined benefit obligation are as follows: Ex-gratia benefits

Opening balance	1 049 371	1 260 617
Net expense recognised in the statement of financial performance	(189 889)	(211 246)
	859 482	1 049 371

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Net expense recognised in the statement of financial performance:Medical aid subsidy		
Current service cost	8 578 681	7 386 671
Benefit paid	(5 143 883)	(4 922 808)
Interest cost	15 693 834	13 334 931
Actuarial (gains) losses	(19 978 365)	12 361 475
	(849 733)	28 160 269
Net expense recognised in the statement of financial performance:Long service award		
Current service cost	4 044 429	3 546 870
Benefit paid	(9 268 466)	(3 694 819)
Interest cost	3 627 757	3 566 085
Actuarial (gains) losses	5 994 703	(401 599)
	4 398 423	3 016 537
Net expense recognised in the statement of financial performance:Ex-gratia benefits		
Benefit paid	(327 121)	(366 959)
Interest cost	82 840	100 449
Actuarial (gains) losses	54 392	55 264
	(189 889)	(211 246)

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	9,12 %	8,97 %
Expected rate of return on assets	8,21 %	8,07 %
Expected increase in salaries	0,84 %	0,84 %

The basis used to determine the discount rate

A discount rate of 9.12% per annum has been used. The corresponding index-linked yield at this term is 1.79%. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.21% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.71%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.84% which derives from $((1+9.12\%)/(1+8.21\%))-1$.

The expected inflation assumption of 6.71% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.79%) and those of fixed interest bonds (9.12%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.12\%-0.50\%)/(1+1.79\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		118.294	58.190	176.484	
Health care inflation	+1%	128.701	60.014	188.715	7%
	-1%	104.565	55.995	160.560	-9%
Discount Rate	+1%	98.388	53.821	152.209	-14%
	-1%	143.906	63.233	207.139	17%
Post-retirement Mortality	-1yr	122.065	60.498	182.563	3%
Average retirement age	-1yr	128.825	58.190	187.015	6%
Continuation of membership at retirement	-10%	98.275	58.190	156.464	-11%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2016

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand		2016		2015	
Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		8,578,700	15,693,800	24,272,500	
Health care	+1%	10,572,900	18,365,200	28,938,100	19%
inflation	-1%	6,977,300	13,464,100	20,441,400	-16%
Discount Rate	+1%	7,025,000	14,945,000	21,970,000	-9%
	-1%	10,616,800	16,478,500	27,095,300	12%
Post-retirement Mortality	-1yr	8,877,600	16,306,400	25,184,000	4%
Average retirement age	-1yr	9,146,400	16,527,000	25,673,400	6%
Continuation of membership at retirement	-10%	7,311,300	14,012,000	21,323,300	-12%

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	8,53 %	7,92 %
Expected rate of return on assets	7,19 %	7,02 %
Expected increase in salaries	1,25 %	0,84 %

The basis used to determine the discount rate

A discount rate of 8.53% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.53% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 1.73%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The liability-weighted average term of the total liability is 7.09 years.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.19% was obtained from the differential between market yields on index-linked bonds (1.73%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.53%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.53\%-0.50\%)/(1+1.73\%))-1$.

Thus, a general salary inflation rate of 7.19% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 1.25%.

It has been assumed that the next salary increase will take place on 1 July 2017.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

(iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Total Liability	% Change
Central Assumptions		54.216	
General salary inflation	+1%	57.716	6%
	-1%	51.037	-6%
Discount Rate	+1%	50.870	-6%
	-1%	57.971	7%
Average retirement age	-2 yrs	48.130	-11%
	+2 yrs	59.970	11%
Withdrawal Rate	-50%	62.736	16%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2016

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		4,044,400	3,627,800	7,672,200	
General salary inflation	+1%	4,381,400	3,874,100	8,255,500	8%
	-1%	3,743,800	3,404,500	7,148,300	-7%
Discount Rate	+1%	3,764,500	3,818,100	7,582,600	-1%
	-1%	4,363,300	3,403,200	7,766,500	1%
Average retirement age	-2 yrs	3,663,700	3,209,400	6,873,100	-10%
	+2 yrs	4,385,100	4,026,300	8,411,400	10%
Withdrawal Rate	-50%	5,151,400	4,230,800	9,382,200	22%

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	8,57 %	8,20 %
Expected rate of return on assets	7,27 %	6,97 %
Expected increase in salaries	1,21 %	1,15 %

The basis used to determine the discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 8.57% per annum has been used. The corresponding index-linked yield at this term is 1.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve.

CPI Inflation Rate: This assumption is used to calculate the estimated growth in salaries of the eligible employees.

An expected inflation assumption of 6.27% was obtained from the differential between market yields on index-linked bonds (1.69%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.57%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1 + 8.57\% - 0.50\%) / (1 + 1.69\%)$.

Thus, a salary increase rate of 7.27% per annum over the expected term of the liability has been assumed, which is 1% in excess of Expected CPI inflation.

Sensitivity Results

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate (which affects future salary/lump sum increases);
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates.

Sensitivity Analysis on the unfunded Accrued Liability (R Millions)

Assumption	Change	Total Liability	%change
Central assumptions		859,482	
Benefit increase rate	+1%	901,450	5%
	-1%	819,568	-5%
Discount rate	+1%	820,384	-5%
	-1%	901,331	5%
Average retirement age	-1 yr	887,848	3%

Sensitivity Analysis on the interest costs for the year ending 30 June 2016

Assumption	Change	Total Liability	% Change
Central Assumptions		82,840	
Benefit Increase rate	+1%	87,268	5%
	-1%	78,640	-5%
Discount Rate	+1%	88,331	7%
	-1%	76,612	-8%
Average retirement age	-1 yr	83,314	1%

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
14. Finance lease obligation		
Minimum lease payments due		
- within one year	21 849 597	4 460 781
- in second to fifth year inclusive	31 316 344	8 527 679
- later than five years	2 091 332	2 186 746
	55 257 273	15 175 206
less: future finance charges	(5 210 282)	(3 615 911)
Present value of minimum lease payments	50 046 991	11 559 295
Present value of minimum lease payments due		
- within one year	20 262 230	3 884 181
- in second to fifth year inclusive	28 866 884	6 783 852
- later than five years	917 877	891 262
	50 046 991	11 559 295
Non-current liabilities	29 784 761	7 675 114
Current liabilities	20 262 230	3 884 181
	50 046 991	11 559 295

The average lease term is 30 years and the effective borrowing rate is 13.58% for buildings leased. Interest rates are fixed at the contract date. Some leases have fixed repayment terms while others may escalate on a fixed rate and some fluctuate with the prime lending rate.

Assets acquired through finance leases - 2016	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	178 849	-	(10 188)	168 661
Vehicles	10 562 746	62 474 056	(24 791 174)	48 245 628
Equipment	183 678	-	(178 353)	5 325
Subtotal	10 925 273	62 474 056	(24 979 715)	48 419 614
	10 925 273	62 474 056	(24 979 715)	48 419 614

Assets acquired through finance leases - 2015	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	189 036	-	(10 188)	178 848
Vehicles	1 736 833	24 896 612	(16 070 699)	10 562 746
Equipment	450 464	-	(266 786)	183 678
Subtotal	2 376 333	24 896 612	(16 347 673)	10 925 272
	2 376 333	24 896 612	(16 347 673)	10 925 272

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	12 136 328	-
West Rand District Municipality	70 535	76 959
Environmental Quality Management Grant	306 027	480 000
Department of Sports, Arts, Culture and Recreation	1 972 180	676 525
Energy Efficiency & Demand Site Management	-	478 642
	14 485 070	1 712 126

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

15. Unspent conditional grants and receipts (continued)

Conditional grants should only be treated as "transfers" recognized revenue when the grant revenue has been "earned" by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of Circular 75 of the Municipal Finance Management Act No 56 of 2003, paragraph 7.6 criteria for the roll-overs of unspent conditional grant funds and section 21 of the Division of Revenue Act.

These unspent grants are cash-backed and ring-fenced in Council's investment portfolio and will only be utilised when the request for unspent conditional grants is approved by National or Provincial Treasury.

See note 32 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	16 420 886	-	-	-	3 217 569	19 638 455
Bonus provision	14 084 708	5 959 456	(2 934 809)	(1 836 805)	-	15 272 550
	30 505 594	5 959 456	(2 934 809)	(1 836 805)	3 217 569	34 911 005

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	14 894 227	-	-	-	1 526 659	16 420 886
Bonus provision	12 013 199	4 262 301	(1 721 337)	(469 455)	-	14 084 708
	26 907 426	4 262 301	(1 721 337)	(469 455)	1 526 659	30 505 594
Non-current liabilities					19 638 455	16 420 886
Current liabilities					15 272 550	14 084 708
					34 911 005	30 505 594

In terms of the review performed by i@ Consulting provision required for restoration of the existing landfill sites is as follows:

1. The Luipaardsvlei Landfill Site is expected to continue to operate to 2018, with the restoration 2 years after closure which is expected in 2021. Sections of the new phase 4 were prepared last year and are now being used.

2. The Magaliesburg Landfill Site is expected to continue to operate for another 3 years to June 2018, with restoration of the cells expected in 2021.

3. Based on the above, and the prevailing discount rate of 11.5% (based on prime + 1%), the provisions at 30 June 2016 will be as follows:

a. Luipaardsvlei original cell Landfill Site :R15 431 766

b. Magalies Landfill Site R4 206 689

Total Provision R19 638 455

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

17. Financial liabilities by category

2016

	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 20)	33 813 873	33 813 873
Payables from exchange transactions(refer to note 19)	582 549 941	582 549 941
Payables from non-exchange transactions(refer to note 18)	84 304 630	84 304 630
Non current financial liabilities(refer to note 20)	477 170 702	477 170 702
Consumer deposits(refer to note 23)	56 628 022	56 628 022
Sundry deposits(refer to note 21)	10 702 565	10 702 565
Current and non current finance lease obligation(refer to note 14)	50 046 991	50 046 991
	1 295 216 724	1 295 216 724

2015

	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 20)	41 345 977	41 345 977
Payables from exchange transactions (refer to note 19)	439 463 989	439 463 989
Payables from non-exchange transactions(refer to note 18)	78 450 492	78 450 492
Non-Current financial liabilities(refer to note 20)	511 478 252	511 478 252
Consumer deposits(refer to note 23)	50 541 773	50 541 773
Sundry deposits(refer to note 21)	10 590 585	10 590 585
Current and non-current finance lease obligation (refer to note 14)	11 559 295	11 559 295
	1 143 430 363	1 143 430 363

18. Payables from non exchange transactions

Grants transferred to payables from non-exchange transactions	2 295 011	20 121 619
Credit balance transferred from receivables from non exchange	82 009 619	58 328 873
	84 304 630	78 450 492

The request for roll-over unspent on Human Settlement Grant was not approved by Gauteng Provincial Treasury. The amount of R2 295 010.54 was transferred to payables from non-exchange transactions.

19. Payables from exchange transactions

Trade payables	443 599 853	290 701 177
Credit balance from other debtors	6 764 962	7 918 656
Third Party payments	3 479 874	976 914
Unpresented cheques	19 340 776	20 785 061
Receivables credit balances	5 396	5 233
Inventory in transit	16 492	49 469
Unallocated cash	964 156	964 156
Undistributed deposit	17 817 889	21 733 661
Retention	29 632 525	30 376 249
Overtime accrual	2 989 763	2 687 955
Insurance claim	(374 486)	-
Leave accrual	46 103 102	50 259 529
Bonus accrual	12 209 639	13 005 929
	582 549 941	439 463 989

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
20. Financial liabilities		
At amortised cost		
DBSA 10935	87 545 508	87 545 508
A total of 17 structured 20-year loans to the value of R90 million in total bearing interest at a fixed rate of 15% per annum, of which, these loans are repayable semi-annually in unequal instalments of fixed interest over 20 years, and the balance of R84 million payable in one instalment on 31 March 2018. The bullet repayment of the R84 million capital will be financed from a 20-year sinking-fund guaranteed investment trust purchased from Rand Merchant Bank and Momentum Investments.		
L239DBSA2029	215 961 857	232 058 393
An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of.		
DBSA L103217(1)	8 328 920	11 238 371
An unsecured fixed-term loan bearing interest at a fixed rate of 12.11% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 October 2018.		
DBSA L103217(2)	1 766 130	2 442 946
An unsecured fixed-term loan bearing interest at a fixed rate of 6.65% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 October 2018.		
FNB	-	9 744 923
An unsecured fixed-term loan bearing interest at a fixed rate of 11.67% per annum, repayable quarterly in equal instalments. this loan will be fully paid on 31 May 2016.		
ABSA	33 391 041	38 160 390
An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. this loan will be fully paid on 02 August 2021.		
NEDBANK	163 991 120	171 633 698
An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 Dec 2027.		
	510 984 576	552 824 229
Total financial liabilities	510 984 576	552 824 229
2016		
During the year under review Mogale City did not source financing.		
2015		
Mogale City sourced financing of infrastructure capital projects amounting to R 239,500,000 from DBSA during 2015 financial year, included in the closing balance of R 552,824,229 is the long term borrowing from the the previous years sourced from various banks namely DBSA, ABSA, FNB & Nedbank.		
Non-current liabilities		
At amortised cost	477 170 702	511 478 252
Current liabilities		
At amortised cost	33 813 873	41 345 977
21. Sundry deposits		
Services deposits	10 702 565	10 590 585
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
22. VAT payable (SARS)		
VAT payables	47 523 617	60 770 901

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

VAT is payable on the receipt basis. When payment is received from debtors the municipality pay VAT over to SARS. All VAT returns have been submitted by due date throughout the Financial year.

23. Consumer deposits

Electricity and water	56 628 022	50 541 773
-----------------------	------------	------------

The above deposits represent Electricity & Water deposits as the current tariff structure do not permit individual deposit verification

24. Long term receivables

	Gross balance			Gross balance		
	Gross balance	2016 Allowance for impairment	Net balance	Gross balance	2015 Allowance for impairment	Net balance
Reconciliation of Non-Current Receivables						
Sundry loans	391 754	(391 754)	-	420 667	(420 641)	26
Stand and housing loans capital	234 079	(234 079)	-	246 721	(246 721)	-
	625 833	(625 833)	-	667 388	(667 362)	26

Non-current receivables impaired

As at 30 June 2016, the total long term receivables of R625 833 (2015: R 667 362) were impaired.

The ageing of these receivables is as follows:

	-	-
Current (0-30 days)	38	25
31-60 days	38	(94)
61-90 days	37	25
91-120 days	38	(174)
120+	620 285	662 346
	620 436	662 128

Reconciliation of provision for impairment of non-current receivables

Opening balance	667 362	749 464
Current year contribution/reversal	(41 530)	(82 102)
	625 832	667 362

25. Traffic fines

Traffic fines	135 658 401	107 414 989
---------------	-------------	-------------

Revenue from traffic fines is recognised on the accrual basis. The above traffic fines amount does not include all No Admission of Guilt (NAG) traffic fines which are issued without a fine amount being specified as the court determines the fine amount which the offender is expected to pay in cash or if unable to pay, the fine is deferred and paid in installments.

26. Service charges

Sale of electricity	834 569 000	775 092 975
Sale of water	302 195 762	216 571 275
Sewerage and sanitation charges	136 170 233	127 544 240
Refuse removal	113 099 385	104 033 796
	1 386 034 380	1 223 242 286

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
27. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	2 757 047	2 807 773
Rental of sports grounds	56 622	102 096
Rental of lapas and carports	78 376	78 993
Rental of halls	349 599	313 588
Other rentals	73 999	63 517
	3 315 643	3 365 967

28. Income from agency services

Agency services	24 960 831	22 184 201
-----------------	------------	------------

Income from Agency Services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement.

29. Other income

Actuarial gain	19 978 364	-
Administration fees	286 253	419 436
Advertising	2 395 663	2 319 025
Application fees	562 020	549 213
Building plan fees	2 911 033	2 693 430
Bulk service connections	3 731 181	945 810
Cemetery fees	2 533 937	2 213 036
Contributions	3 851 983	5 679 233
Insurance claims	164 024	578 033
Miscellaneous income	6 425 683	4 537 798
Sale of assets	-	2 548 246
Services connections	7 920 737	6 560 789
Investment property fair value adjustment	-	18 982 794
Donations/Assets transferred (Assets aquired at no cost)	1 251 931	40 640 926
Fair value shares	(58 365)	44 798
DOE (Sanedi donation)	9 500 000	1 500 000
Bontle ke Botho	-	150 000
Seta training	526 029	884 787
DWS-AICP Donation	1 918 642	-
NDPG	-	1 988 823
WRDM-MWIG	6 649 631	-
Housing Development Agency	56 488 222	-
DGCOGTA:Aloecap Project	-	547 000
	127 036 968	93 783 177

2016

Transfer/Donation of an assets

Books donated by various individuals including companies (R159 991). The number of animals increased due to production of different species (R1 091 940).

Housing Development Agency

This is a funding agreement entered between Mogale City and Housing Development Agency (HDA) for the development of housing units at Kagiso Extension 13 in terms of the housing subsidy. This funding is not gazetted.

2015

Transfer/Donation of an assets

Due to the Netcare private hospital constructed at Pineheaven intersection a new Energy substation was built by the developer and a link was created between Muldersdrift Libertas 33kv line was added. These asset were therefore handed to the municipality for future maintenance and control. The other general assets acquired at no cost such as breeding of animals and land donated are added to the amount of R40 640 926 as disclosed.

Bontle ke Botho, Seta and DGCOGTA:Aloecap

These grants do not form part of the conditional grants because they are not gazetted.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
30. Investment revenue		
Dividend received		
Dividends	20 325	18 666
Interest recieved - external investment		
Interest on investment	14 355 856	16 352 920
Interest on favourable balances	990 931	932 972
	15 346 787	17 285 892
Dividend	20 325	18 666
Interest income	15 346 787	17 285 892
Total revenue from investments	15 367 112	17 304 558
31. Property rates		
Rates received		
Residential	421 542 111	393 807 945
Commercial & Educational Institutions	216 609 342	184 020 445
Small holdings and farms	26 619 630	25 376 850
Less: Income forgone	(224 273 555)	(208 710 650)
	440 497 528	394 494 590
Penalties imposed	25 046 273	24 995 256
	465 543 801	419 489 846

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
32. Government grants and subsidies		
Operating grants		
Equitable share	259 185 001	238 641 000
Municipal Infrastructure Grant	1 996 250	1 699 756
Expanded public works programme	1 265 999	2 052 001
GDARD	173 973	-
WRDM: HIV/AIDS Grant	2 908 051	2 651 969
Sport, Art, Culture and Recreation: Libraries funding	4 882 257	4 266 998
Municipal Systems Improvement Grant	960 550	-
Finance Management Grant	1 450 000	1 450 000
	272 822 081	250 761 724
Capital grants		
Department of Energy	448 092	3 551 908
Municipal Infrastructure Grant	84 717 424	78 639 582
Sport, Art, Culture and Recreation	6 522 088	3 764 511
Municipal Systems Improvement Grant	-	903 450
Neighbourhood Development Partnership Grant	60 230 000	12 383 391
	151 917 604	99 242 842
	272 822 081	250 761 724
	151 917 604	99 242 842
	424 739 685	350 004 566

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants met		
Finance Management Grant (FMG)	1 450 000	1 450 000
Municipal Systems Improvement Grant (MSIG)	930 000	-
Expanded Public works Programme (EPWP)	1 266 000	2 052 000
Neighbourhood Development Partnership Grant (NDPG)	60 230 000	-
Department of Human Settlement	2 295 011	-
Department of Local Government: Aloecap	-	547 000
Department of Energy	448 092	-
Neighbourhood Development Programme (NDPG)	-	1 988 823
Conditions met - transferred to revenue	(66 619 103)	(6 037 823)
	-	-

Unconditional grants received

2016

Conditional grants still to be met	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Condition still to be met-transferred to liabilities
Municipal Infrastructure Grant	-	98 850 000	(86 713 672)	12 136 328
Department of Sports, Arts, Culture and Recreation (SRAC)	676 525	12 700 000	(11 404 345)	1 972 180
West Rand District Municipality	76 959	2 901 627	(2 908 051)	70 535
Environmental Quality Management Grant (GDARD)	480 000	-	(173 973)	306 027
	1 233 484	114 451 627	(101 200 041)	14 485 070

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

32. Government grants and subsidies (continued)

2015

Conditional grants still to be met

	Balance unspent at the beginning of the year	Current year receipts	Conditions met- transferred to revenue	Condition still to be met- transferred to liabilities
Municipal Systems Improvement Grant (MSIG)	-	934 000	(903 450)	30 550
Department of Sports, Arts, Culture and Recreation (SRAC)	2 033	8 706 000	(8 031 509)	676 524
West Rand District Municipality	-	2 728 928	(2 651 969)	76 959
Environmental Quality Management Grant (GDARD)	-	480 000	-	480 000
Department of Energy	-	4 000 000	(3 551 908)	448 092
	2 033	16 848 928	(15 138 836)	1 712 125

Unspent Grants

During the current financial year Mogale City received a total of R424 739 685 for operational and capital grants. Mogale City managed to spend 96,6% of the total grants received amounting to R410 254 611,92.

The remaining 3,4% amounting to R14 485 070,08 relates to unspent grants which still needs to meet the conditions. Refer to note 15 for details on the unspent grants.

33. Employee related costs

Basic Salaries	354 083 484	334 295 969
Bonus	29 725 577	26 981 625
Medical aid - company contributions	24 737 407	22 471 239
UIF	2 769 242	2 656 193
Industrial Council Levy	153 465	140 730
Leave pay provision charge	1 935 276	3 171 895
Defined contribution plans (pension funds)	63 656 902	59 215 034
Overtime payments	36 618 067	30 419 899
Long-service awards	523 047	293 480
Acting allowances	3 955 434	1 793 894
Car allowance	41 645 301	37 733 423
Housing Subsidy	3 137 718	1 885 056
Section 57 Salaries	16 282 981	15 486 947
	579 223 901	536 545 384

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
34. Remuneration of councillors		
Councillors		
Executive Mayor	954 792	906 296
Chief Whip	722 241	685 782
Speaker	768 753	729 949
MPAC	675 874	641 724
Mayoral committee members	7 163 436	6 858 425
Other councillors	16 405 111	15 432 143
	26 690 207	25 254 319
35. Depreciation and amortisation		
Intangible assets	6 798 026	968 045
Property, plant and equipment	230 247 557	228 635 862
	237 045 583	229 603 907
36. Impairment of assets		
Impairments		
Property, plant and equipment	22 515 182	2 334 426
37. Finance costs		
Interest paid	39 232 014	43 109 777
38. Debt impairment		
Contributions to debt impairment provision	186 320 910	228 042 341
39. Repairs and maintenance		
Other materials	58 511 137	52 122 664
Contracted Services	18 568 786	14 439 303
	77 079 923	66 561 967
All repairs and maintenance were incurred in respect of property, plant and equipment.		
40. Bulk purchases		
Electricity	583 599 950	508 472 989
Water	220 435 251	188 340 188
Sewer purification	3 553 819	2 953 183
	807 589 020	699 766 360

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2016

Electricity Losses

During the year under consideration MCLM had unaccounted electricity of 8.69% 64,070,455.05 kwh (7.72 %: 2015, 54,920,168.75kwh). The total rand value of these losses were R 37,421,201.68 (R 29,423,925.44 : 2015) .The inherent distribution losses of an electricity distribution system(technical losses)can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or if it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs.The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

Electricity distribution losses are calculated after taking the following into account:

- Transmission losses;
- Municipal consumption;
- Free basic electricity; and
- Theft.

Electric transmission represents losses that arise from the resistance when electricity is transmitted from Eskom to Mogale City Local Municipality and to the end user. This amount of electricity lost is dependent on the specific conductors, the current flowing, and the length of the transmission line. This loss is not under the control of Mogale City

2015

Electricity Losses

During the previous financial year MCLM had unaccounted electricity of 7.72% 54,920,168.75 kwh (9.74 %: 2014, 70.909,827.88kwh). The total rand value of these losses were R 29,423,925.44 (R 32,773,718 : 2014) .The inherent distribution losses of an electricity distribution system(technical losses)can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or if it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs.The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

Electricity distribution losses are calculated after taking the following into account:

- Transmission losses;
- Municipal consumption;
- Free basic electricity; and
- Theft.

Electric transmission represents losses that arise from the resistance when electricity is transmitted from Eskom to Mogale City Local Municipality and to the end user. This amount of electricity lost is dependent on the specific conductors, the current flowing, and the length of the transmission line. This loss is not under the control of Mogale City

2016

Water Losses

During the year under consideration MCLM had unaccounted water of 34.8% (non-technical losses), 11,240,224.76 kl. The total rand value of these non-technical losses were R 75 974 416.21.This was mainly due to faulty meters, meter tampering straight pipes in some areas and leakages.

The Municipality is in the process of reducing non-technical losses through various interventions such as smart metering, leak detection and reduction in households water pressure management, metering of unmetered fire connections etc.

During the year under review the technical losses which the municipality do not have control over was determined as 15%,1,983,569.08 kl amounting to R13 407 250.

2015

Water Losses

During the previous financial year MCLM had unaccounted water of 27% (non-technical losses), 8,403,375.50 kl. The total rand value of these non-technical losses were R 50,106,814.60.This was mainly due to faulty prepaid meters,straight pipes in some areas and leakages.

The non-technical losses are losses that the municipality is in the process to reduce.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

Intervention undertaken by Mogale City to reduce non-technical losses of 27%:

- 1 Replacement of the old water pipeline: - The contractors was appointed late in the financial year. Pipeline replacement phase 2 will be rolled out subject to the availability of funds.
- 2 Installation of prepaid water meters:- 17742 water meters installed to date
- 3 Telemetry Project: phase 1 completed, phase 2 will be implemented focusing on the water network (pipeline and meters).
- 4 Other problematic areas have been identified:-Automatic meter reading will be done on all zonal meters.

During the previous financial year the technical losses which the municipality do not have control over was 15%,4,695,583.95 kl amounting to R27,963,152.06.

41. Contracted services

Information Technology Services	21 750 234	6 022 618
Fleet Services	20 731 478	27 905 856
Rental and communication services	26 667 156	23 020 911
Specialist Services	4 260 116	5 135 627
Other Contractors (Security services,lease office equipment,rental water tanks and rental chemical toilet,refuse removal Tedcor and system support)	169 730 205	133 799 652
	243 139 189	195 884 664

42. Grants and subsidies paid

Other subsidies

Other grants	1 746 559	2 619 666
Basic services	93 686 878	38 202 858
Grants in aid	1 246 545	1 745 435
Grants discretionary	699 202	528 631
	97 379 184	43 096 590
Other subsidies	97 379 184	43 096 590

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
43. General expenses		
Actuarial losses	6 049 095	12 015 140
Advertising	656 605	1 368 067
Assessment rates & municipal charges	32 176 389	29 093 901
Audit committee remuneration	401 065	288 910
Bank charges	3 241 066	2 123 125
Internet fees	47 926	169 351
Settlement and legal fees	21 126 509	23 680 785
Consumables	1 178 103	770 767
Entertainment	-	9 800
Gifts	9 704	4 172
Insurance	4 147 457	2 453 767
Bursary scheme/External	780 852	2 216 079
Conferences and seminars	486 436	541 424
Transport Rental	-	6 840
Stores & Material	3 540 726	3 710 605
Magazines, books and periodicals	223 454	155 399
Medical examination/X-rays	-	2 263
Fuel and oil	10 397 023	10 359 720
Postage and courier	4 714 219	5 173 466
Printing and stationery	2 272 292	2 019 091
Safety equipments/Protective clothing	146 741	795 829
Special Projects	31 542 546	10 679 769
License fees	4 502 017	2 331 334
COIDA	3 431 041	3 258 552
Refreshments general & meetings	1 995 224	1 030 095
Subscriptions and membership fees	6 265 758	6 148 688
Telephone and faxes	11 296 190	11 593 952
Training	2 234 262	4 094 714
Travel - local	1 472 763	981 052
Travel - overseas	376 503	38 228
Fair value adjustment	6 848 550	-
Purchases for consumption	5 092 381	5 662 614
Skills levy	4 927 688	4 429 145
Public Participation	2 037 989	1 569 349
Current services costs	12 623 110	10 933 541
Relocation costs	-	4 280
Management fee:Game reserve	1 206 140	438 597
Other expenses	62 470 428	46 613 786
	249 918 252	206 766 197

Other Expenses

Item	Amount(R)
Social responsibility	2 275 142
Landfill site write down	1 336 555
Interest cost (Employee benefit obligation)	19 404 431
Purchase of distribution of 240 litre bins	1 002 283
Incubator program	5 500 000
Electrical bulk connections	1 062 255
Electricity: Street lighting	1 032 594
Special project: CRDP	1 162 951
Establishment of entity	4 198 633
Grants: Other municipalities	4 500 000
Developers: Roads and Stormwater	1 144 345

The remaining balance for other expenses includes small items

44. Assets written off

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

45. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	165 853 426	43 109	-	165 896 535
Receivables from exchange transactions	254 993 946	-	23 116 106	278 110 052
Receivables from non-exchange transactions	209 128 384	-	(56 024 997)	153 103 387
Inventories	15 159 398	-	-	15 159 398
Operating lease asset	191 997	-	-	191 997
	645 327 151	43 109	(32 908 891)	612 461 369
NON-CURRENT ASSETS				
Property, plant and equipment	5 391 433 881	(30 884 861)	-	5 360 549 020
Intangible assets	20 864 501	40 338	-	20 904 839
Financial assets	61 607 559	-	-	61 607 559
Investment property	528 388 483	5 638 417	-	534 026 900
Heritage assets	1 555 766	-	(110 021)	1 445 745
	6 003 850 190	(25 206 106)	(110 021)	5 978 534 063
Non-Current Assets	6 003 850 190	(25 206 106)	(110 021)	5 978 534 063
Current Assets	645 327 151	43 109	(32 908 891)	612 461 369
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-
Total Assets	6 649 177 341	(25 162 997)	(33 018 912)	6 590 995 432
LIABILITIES				
CURRENT LIABILITIES				
Payables from exchange transactions	527 407 415	(87 943 426)	-	439 463 989
Unspent conditional grants and receipts	23 822 568	(22 110 442)	-	1 712 126
Finance lease obligation	3 884 181	-	-	3 884 181
Provisions	14 084 708	-	-	14 084 708
Consumer deposits	50 541 773	-	-	50 541 773
Employee benefit obligation	18 829 727	(5 631 913)	-	13 197 814
Financial liabilities	41 345 977	-	-	41 345 977
VAT payable	61 135 743	(364 842)	-	60 770 901
Sundry deposits	10 590 585	-	-	10 590 585
Payables from non-exchange transactions	-	78 450 492	-	78 450 492
	751 642 677	(37 600 131)	-	714 042 546
NON-CURRENT LIABILITIES				
Finance lease obligation	7 675 114	-	-	7 675 114
Provisions	16 420 886	-	-	16 420 886
Employee benefit obligation	209 371 352	5 631 913	-	215 003 265
Financial liabilities	511 478 252	-	-	511 478 252
	744 945 604	5 631 913	-	750 577 517
NON-CURRENT LIABILITIES	744 945 604	5 631 913	-	750 577 517
CURRENT LIABILITIES	751 642 677	(37 600 131)	-	714 042 546
Liabilities of disposal groups	-	-	-	-
TOTAL LIABILITIES	1 496 588 281	(31 968 218)	-	1 464 620 063

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand			2016	2015
Assets	6 649 177 341	(25 162 997)	(33 018 912)	6 590 995 432
LIABILITIES	(1 496 588 281)	31 968 218	-	(1 464 620 063)
NET ASSETS	5 152 589 060	6 805 221	(33 018 912)	5 126 375 369
NET ASSETS				
Social Responsibility Fund	10 390 763	43 109	-	10 433 872
Accumulated surplus	5 142 198 297	(26 256 841)	-	5 115 941 456
Total Net Assets	5 152 589 060	(26 213 732)	-	5 126 375 328

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 223 217 795	-	24 491	1 223 242 286
Rental of facilities and equipment	3 365 967	-	-	3 365 967
Interest received - Outstanding debtors	22 291 041	-	-	22 291 041
Agency services	22 184 201	-	-	22 184 201
Licences and permits	19 448	-	-	19 448
Other income	91 787 667	1 995 510	-	93 783 177
Interest received - investment	17 329 001	(43 109)	-	17 285 892
Dividends received	18 666	-	-	18 666
Total revenue from exchange transactions	1 380 213 786	1 952 401	24 491	1 382 190 678
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	394 494 590	-	-	394 494 590
Property rates - penalties imposed	24 995 256	-	-	24 995 256
Transfer revenue				
Government grants & subsidies	350 004 566	-	-	350 004 566
Fines, Penalties and Forfeits	134 576 988	(27 161 999)	-	107 414 989
Total revenue from non-exchange transactions	904 071 400	(27 161 999)	-	876 909 401
	1 380 213 786	1 952 401	24 491	1 382 190 678
	904 071 400	(27 161 999)	-	876 909 401
Total revenue	2 284 285 186	(25 209 598)	24 491	2 259 100 079
Expenditure				
Employee related costs	(536 545 384)	-	-	(536 545 384)
Remuneration of councillors	(25 254 319)	-	-	(25 254 319)
Allowance for impairment	(9 847 661)	9 847 661	-	-
Depreciation and amortisation	(229 558 686)	(45 221)	-	(229 603 907)
Impairment loss	(84 041)	(2 250 385)	-	(2 334 426)
Finance costs	(43 109 777)	-	-	(43 109 777)
Debt impairment	(221 886 172)	(6 156 169)	-	(228 042 341)
Collection costs	(27 700 579)	27 700 579	-	-
Repairs and maintenance	(66 355 399)	(206 568)	-	(66 561 967)
Bulk purchases	(700 134 782)	368 422	-	(699 766 360)
Contracted services	(195 884 664)	-	-	(195 884 664)
Grants and subsidies paid	(43 096 590)	-	-	(43 096 590)
General Expenses	(202 528 209)	(31 938 567)	-	(234 466 776)
Total expenditure	(2 301 986 263)	(2 680 248)	-	(2 304 666 511)
	-	-	-	-
Total revenue	2 284 285 186	(25 209 598)	24 492	2 259 100 079
Total expenditure	(2 301 986 263)	(2 680 248)	-	(2 304 666 511)
Operating surplus (deficit)	(17 701 077)	(27 889 846)	24 491	(45 566 432)
Surplus (deficit) before taxation	(17 701 077)	(27 889 846)	24 491	(45 566 432)
Taxation	-	-	-	-
Surplus (deficit) for the year	(17 701 077)	(27 889 846)	24 491	(45 566 432)

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
46. Cash generated from operations		
Deficit	(7 172 866)	(45 566 432)
Adjustments for:		
Depreciation and amortisation	237 045 580	229 603 907
Assets written off	5 032 645	4 233 864
Assets acquired at no cost	(1 251 931)	(40 639 012)
Fair value adjustments	(6 848 550)	18 982 795
Employee benefits	3 358 802	30 965 560
Impairment of assets	22 515 182	2 334 425
Debt impairment	-	228 042 341
Operating lease	(8 248)	104 266
Movements in retirement benefit assets and liabilities	-	34 667 994
Movements in provisions	4 405 411	3 598 168
Changes in working capital:		
Inventories	21 326	(1 101 737)
Long term receivables	41 530	82 112
Other receivables from non-exchange transactions	(92 977 133)	(141 151 760)
Consumer debtors	(139 583 319)	-
Receivables from exchange transactions	(148 435 988)	(102 146 309)
Payables from exchange transactions	(17 826 608)	20 121 619
VAT	(13 247 284)	(10 932 620)
Unspent conditional grants and receipts	12 772 944	(6 471 078)
Consumer deposits	6 086 249	4 932 299
Leave pay accrual	81 507 554	-
Sundry deposits	111 980	622 276
Payables from non-exchange transactions	168 992 398	56 648 219
	372 633 427	251 292 618

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

47. Budget differences

Material differences between budget and actual amounts

The differences between the approved budget and final budget is as the result of reallocation within the budget as per virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

Statement of Financial Performance

Revenue

Interest received

During 2015/16 there was an increase in the number of accounts handed over to debt collectors. These accounts ceased to accrue interest after handover as per section 6.12.4 of the approved credit control and debt collection policy.

Income from agency services

Mogale City strategy of servicing the community on weekends is paying off, as a result of this many people come to the city offices to renew their licenses.

Interest received investments

This is interest received on grant monies, long term financial asset (Rand Merchant Bank), and the roll-over loan.

Fines

These are mainly amounts of fines issued and not yet collected.

Other income

Included other income is the sale of land amounting to R 50m, the sale was put in abeyance and the income thereof budgeted to be received in the 16/17 financial year. The variance includes grants monies budgeted to be received from the Housing Development Agency which were subsequently not received in its entirety.

Expenditure

Finance cost

The year to date expenditure on finance costs decreased as a result of capitalisation of borrowing costs, thus it will appear as if more funds were allocated for this cost item.

Depreciation and amortisation

The variance was mainly as a result of the budget estimate, more funds were allocated in anticipation that most of the projects which are on the budget would be completed before or by year end, as it was not the case, then it meant that the allocated amounts for the depreciation of those assets would not be put use.

Debt impairment

This is mainly as a result of traffic fines issued and not collected, as a result they are subsequently written off.

Assets Written off

The amount is made up office furniture and equipment damaged beyond repair, a motor vehicle stolen, and road and storm water assets, community assets, electrical assets, all replaced.

Collection costs

The increase in collection commission paid is due to the increase in debt collections.

Grants and subsidies paid

This is largely due to a high number of indigent registered than anticipated.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

Repairs and maintenance

The under expenditure under this item is because in the past years, a lot of assets have been capitalised, so most of them would still be new and therefore not in need of maintenance. And also partly due to the increased allocation of budget for unplanned maintenance which appears to have been minimal in the current year.

General expenses

The lower than expected expenditure is due to cost containment measures undertaken by the municipality, expenditure on non - core items have been kept at bare minimum.

48. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	-	55 599 215
• Community	7 370 632	460 989
	7 370 632	56 060 204

This committed expenditure relates to assets and will be financed by available bank facilities

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 174 003	4 915 532
- in second to fifth year inclusive	279 562	1 765 130
	2 453 565	6 680 662

Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum. No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	1 187 226	763 697
- in second to fifth year inclusive	2 806 615	2 219 748
- later than five years	1 416 673	1 867 105
	5 410 514	4 850 550

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
49. Contingencies		
Contingent liabilities		
Mathe Constructions	-	5 500 000
The applicants were contracted by the municipality to construct low costing houses. The agreement was cancelled by the Municipality after the withdrawal of funding by the Provincial Housing Department. The applicant is suing the Municipality for damages suffered as a result of the cancellation of the contract. The case has been withdrawn.		
Aloecap (PTY) LTD	2 500 000	2 500 000
The Service Provider is suing the Municipality for breach of contract in that the contract was cancelled without proper notice		
V Venter	22 000	22 000
Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages		
Chabano Trading Consultant	1 167 770	1 167 770
The Plaintiff alleges that Municipality has unlawfully terminated the contract.		
Francois Jacobs Van Staden	-	38 423
The plaintiff instituted a claim against the Municipality as a result of damages he suffered after falling into a pot hole with his motor cycle. 100% as the responsibility for the upkeep of the road lies with the MEC		
The case was resolved during the year under review. The case has been withdrawn.		
Khalipha Entertainment	1 799 490	1 799 490
MCLM sued service provider for failing to give proper account of the jazz and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.		
Madelein van Rooyen	107 069	107 069
The Plaintiff alleges that the municipality was partly negligent in not ensuring that the Bungee jumping is safe		
Lefatshe Security Services (PTY) LTD	7 938 183	-
The service provider is suing the Municipality for breach of contract.		
Quill Associates (PTY) LTD	376 200	-
The service provider is suing the Municipality for breach of contract.		
Subtotal	13 910 712	11 134 752
	-	-
Category B		
Deputy Directors	1 480 000	1 480 000
1) S. Makgatlha		
2) L. Tshoane		
3) N. Mabunda		
4) A. Maswanganyi		
5) T. Mathye		
6) J. Nkhumane		
The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent.		
Murray & Ors	3 000 000	3 000 000
The employee alleges that they did not receive notches 168 Employees Matter is still pending settlement negotiations underway and provision of additional information from finance and IMATU		
Colbert Mphaphudi	328 200	328 200
Unfair Labour practise		
Victor Tafu	480 753	480 753
The employee alleges he was unfairly dismissed		
Subtotal	5 288 953	5 288 953
	19 199 665	16 423 705

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
Contingent assets		
Outstanding Legal Matters		
I Van Wyk	450 000	450 000
The Municipality is suing the Defendant for outstanding rates and taxes.		
Khaba B	42 000	42 000
The Municipality is suing for damages as a result of alleged fraud by the defendant.		
Willturnerkey Construction	317 000	317 000
The Municipality erroneously overpaid Willturner Key Construction.		
Naledi Plant Hire	813 247	813 247
The Municipality filed a counter claim for overpayment to Naledi Plant Hire.		
Khalipha Entertainment	1 800 000	1 800 000
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
African Bush Adventures	1 700 000	1 700 000
The municipality cancelled the contract in a process of recovering the outstanding rates and taxes payments.		
Game Reserve Lodge	180 000	180 000
The municipality is suing for outstanding rental payments of the leased premises.		
Lefatshe Security Services (PTY) LTD	8 062 493	-
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
Subtotal	13 364 740	5 302 247
	13 364 740	5 302 247

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

50. Related parties

Relationships

Accounting Officers

Members of key management

Mr D.M Mashitisho
Mr L.M.E Mahuma
Mr D.C Ngutshana
Ms S. Mathebula
Mrs R. Mokebe
Mr B. Seopasengwe
Ms M. Mokoena
Mr M. Msezana
Mr SH Mbanjwa
Mr A. Mbulawa

Political Office Bearers comprise of:

Executive Mayor

Chief Whip

Speaker

Councillors (MMC)

Cllr K.C Seerane
Cllr S. Dube
Cllr S.M Thupane
Cllr M.A Mdzeke
Cllr F.O Bhayat
Cllr K.A Setswalo-Moja
Cllr B. Friedman
Cllr M.A Mathibe
Cllr S. Letsie
Cllr M. Khuzwayo
Cllr E. Mathe
Cllr N.C Mangole
Cllr N. Kufa
Cllr N.E Mdlulwa
Other part time councillors

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

Remuneration of management

Mayoral committee members

2016

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Locomotion Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
KC Seerane	816 699	20 868	3 600	-	113 625	954 792
Chief Whip						
SI Dube	435 909	20 868	3 600	172 858	89 006	722 241
Speaker						
SM Thupane	465 971	20 868	3 600	184 383	93 931	768 753
Section 79 Chair Person						
MA Mdzeke	420 873	20 868	3 600	161 335	69 198	675 874
MMC: Economic Services						
M Khuzwayo	435 909	20 868	3 600	172 858	88 999	722 234
MMC: Public Safety						
NE Mdlulwa	435 909	20 868	3 600	172 858	88 999	722 234
MMC: Finance						
FO Bhayat	505 550	20 868	3 600	118 243	74 123	722 384
MMC: Roads & Transport						
BH Friedman	450 935	20 868	3 600	172 858	74 123	722 384
MMC: Intergrated Environment Management						
NC Mangole	450 935	20 868	3 600	172 858	74 123	722 384
MMC: Corporate Support Services						
MA Mathibe	450 935	20 868	3 600	172 858	74 123	722 384
MMC: Infrastructure Services						
SD Letsie	435 909	20 868	3 600	172 858	88 999	722 234
MMC: Human Settlement & Rural Development						
AK Setswalo-Moja	435 909	20 868	3 600	172 858	88 999	722 234
MMC: Health & Social Services						

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

ME Mathe	435 909	20 868	3 600	172 858	88 999	722 234
MMC: Sports & Recreation						
N Kufa	435 909	20 868	3 600	172 858	88 999	722 234
	6 613 261	292 152	50 400	2 192 541	1 196 246	10 344 600

2015

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
KC Seerane	721 814	20 868	3 600	51 524	108 490	906 296
Chief Whip						
SL Dube	412 400	20 868	3 600	163 767	85 147	685 782
Speaker						
SM Thupane	440 896	20 868	3 600	174 770	89 815	729 949
Section 79 Chair Person						
MA Mdzeke	518 809	20 868	3 600	12 744	85 703	641 724
Economic Services						
M Khuzwayo	412 400	20 868	3 600	163 767	85 147	685 782
Public Safety						
NE Mdlulwa	412 400	20 868	3 600	163 767	85 147	685 782
Finance						
FO Bhayat	552 550	20 868	3 600	38 643	70 272	685 933
Roads and transport						
BH Friedman	427 426	20 868	3 600	163 767	70 272	685 933
Environmental Management						
NC Mangole	427 426	20 868	3 600	163 767	70 272	685 933
Corporate Support Services						
MA Mathibe	427 426	20 868	3 600	163 767	70 272	685 933
Infrastructure Services						
SD Letsie	412 400	20 868	3 600	163 767	85 147	685 782
Human Settlement & Rural Development						
AK Setswalo-Moja	412 400	20 868	3 600	163 767	85 147	685 782
Health & Social Services						

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

ME Mathe	412 400	20 868	3 600	163 767	85 147	685 782
Sports & Recreation						
N Kufa	412 400	20 868	3 600	163 767	85 147	685 782
	6 403 147	292 152	50 400	1 915 351	1 161 125	9 822 175

Councillors/Mayoral committee members

2016

	Annual Remuneration	Car Allowance	Cellphone Allowance	Contribution to UIF, Medical and Pension	Data Card Allowance	Total
Name						
Full time councillors	6 613 257	2 192 542	292 152	1 196 243	50 400	10 344 594
Part time councillors	9 383 604	3 712 236	1 118 031	1 938 867	192 875	16 345 613
	15 996 861	5 904 778	1 410 183	3 135 110	243 275	26 690 207

2015

	Annual Remuneration	Car Allowance	Cellphone Allowance	Contribution to UIF, Medical and Pension	Data Card Allowance	Total
Name						
Full time councillors	6 403 148	1 915 351	292 152	1 161 125	50 400	9 822 176
Part time councillors	8 850 085	3 456 140	1 114 775	1 818 830	192 313	15 432 143
	15 253 233	5 371 491	1 406 927	2 979 955	242 713	25 254 319

Executive management

2016

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	Annual Remuneration	Performance Bonus	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager					
DM Mashitsho	1 673 947	218 038	144 000	127 419	2 163 404
Chief Financial Officer					
Leslie Mahuma	1 265 265	179 520	240 000	96 767	1 781 552
Chief Operating Officer					
As Mbulawa	1 335 412	179 520	120 000	146 619	1 781 551
Social Services					
ST Mathebula	1 204 796	160 285	187 500	46 410	1 598 991
Environmental Management					
MN Mokoena	1 253 228	123 296	81 489	95 864	1 553 877
Political Office					
LR Seoposengwe	1 175 923	-	120 000	134 658	1 430 581
Corporate Services					
R Mokebe	1 266 480	123 296	180 000	1 872	1 571 648
Chief Audit Executive					
CD Ngutshana	1 313 863	160 825	72 000	41 392	1 588 080
Economic Services					
MA Msezana	1 428 709	-	-	1 872	1 430 581
Infrastructure Services					
SH Mbanjwa	1 162 677	111 457	-	108 584	1 382 718
	13 080 300	1 256 237	1 144 989	801 457	16 282 983

2015

	Annual Remuneration	Performance Bonus	Car Allowanc	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager					
DM Mashitsho	1 560 424	332 050	144 000	118 898	2 155 372

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

Chief Financial Office					
LME Mahuma	1 171 796	128 338	240 000	89 751	1 629 885
Chief Operating Officer					
AS Mbulawa	1 243 530	89 837	120 000	138 017	1 591 384
Social Services					
ST Mathebula	1 108 711	137 505	187 500	41 448	1 475 164
Environmental Management					
MN Mokoena	1 169 774	137 505	81 489	89 599	1 478 367
Political Office					
LR Seoposengwe	1 096 147	-	120 000	124 715	1 340 862
Corporate Services					
R Mokebe	1 158 996	137 505	180 000	1 866	1 478 367
Chief Audit Executive					
CD Ngutshana	1 224 232	137 505	72 000	37 528	1 471 265
Infrastructure Services					
MD Mokotedi	606 473	90 300	100 000	926	797 699
Infrastructure Services					
SH Mbanjwa (Acting)	961 808	-	-	101 126	1 062 934
Economic Services					
MA Msezana	1 004 247	-	-	1 400	1 005 647
	12 306 138	1 190 545	1 244 989	745 274	15 486 946

51. Irregular expenditure

Opening balance	-	-
Less: Expenditure regularised by Council	-	-
Closing balance	-	-

2016

Irregular Expenditure

There is no irregular expenditure during the year under review.

Unauthorised Expenditure

There is no unauthorised expenditure during the year under review

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	6 278 936	5 987 382
Amount paid - current year	(5 969 688)	(5 987 382)
Credit recieved - Per prior year claim	(309 248)	-
	-	-

Audit fees

Current year subscription / fee	3 783 432	3 880 031
Amount paid - current year	(3 783 432)	(3 880 031)
	-	-

PAYE and UIF

Opening balance	6 549 372	5 367 661
Current year subscription / fee	92 182 281	78 747 808
Amount paid - current year	(84 609 380)	(72 198 436)
Amount paid - previous years	(6 549 372)	(5 367 661)
	7 572 901	6 549 372

Pension and Medical Aid Deductions

Opening balance	-	9 408 895
Current year subscription / fee	145 544 176	133 864 605
Amount paid - current year	(133 864 645)	(143 273 500)
	11 679 531	-

Councillors arrear consumer accounts

Councillors had no arrear accounts outstanding of more than 90 days at 30 June 2016:

53. Audit committee remuneration

Fees	401 065	288 910
------	---------	---------

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

54. Fruitless and wasteful expenditure

Fruitless expenditure -Current year	4 356 645	264 454
Less expenditure condoned by council	(4 356 645)	(264 454)
	-	-

2016

The municipality incurred fruitless and wasteful expenditure during the year under review for the writing off of interest paid on Bulk Purchases and on a redemption payment for the financial year ended 30 June 2016. The reasons for the late payments of Bulk Purchases are mainly due to the slow decline in the South African economy resulting in poor debtor collections and payments. This has given rise to a reduction in Revenue received and therefore resulted in cash flow constraints. DBSA has levied an amount of R933.32 interest due to an external long term loan redemption payment that was due on 31 August 2015. Rand Water has raised interest of R 80 334.36 on bulk water purchases of R236 805 099.11. Eskom has charged the Municipality on a total amount of interest of R4 275 377.11 on bulk electricity purchases of R667 618 549.78. The fruitless expenditure was condoned by council on the 27 July 2016, Item K(ii) 14(07/2016).

2015

The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to Eskom and Rand water respectively. The lateness of payment derives from unfavourable payment terms set out in the contract with Eskom. Eskom has levied an amount of R4 596 412.21 interest on late payments for the year under review. Mogale City was successful in obtaining a credit note of 4 336 076.08 from Eskom for interest levied on late payments on bulk electricity purchases from May 2014 to April 2015 thus leaving an amount of R260 336.13 for interest levied in May and June 2015. Rand Water has raised interest of R 4 117.73. The fruitless expenditure was condoned by council on the 31 August 2015 (Item K(ii)(08/2015)).

55. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	510 984 575	552 824 229
------------------------------	-------------	-------------

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

56. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

As per the MCLM tender vetting report:

1. There are no directors of companies that submitted tenders that are employees at Mogale City.
2. There was one employee that is registered as consumer on Mogale's database.
3. There were three employees that have a telephone number listed that is linked to a consumer on Mogale's database.

Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36 (1)(a)(i): Emergency situation	129 489 531
Section 36 (1)(a)(ii): Sole service provider	26 579 705
Section 36 (1)(a)(v): Impossible/Impractical to follow official procurement process	200 657 849
	356 727 085

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K(ii) 2(02/2016)	Emergency and risk of operational failure of air conditioners (IT)	Idol Consulting Firm	Section 36 (1)(a)(i): Emergency	93 026
K(ii) 2(02/2016)	Tudor Shaft relocation, resettlement and relocation programme	Vuka Ultrasonic Joint venture	Section 36 (1)(a)(i): Emergency	129 200 000
K(ii) 4(4/2016)	Approval for payment for repairs to the aircon system at the Town Hall, Traffic Licencing and Flip Human	Idol Consulting	Section 36 (1)(a)(i): Emergency	196 505
K(ii) 4(09/2015)	Purchase a traffic light controller and LED modules that got damaged during accident that happened at corner Nicholas Smith Street and Paardekraal road	Automotor Traffic Signal CO (Pty) Ltd	Section 36 (1)(a)(ii): Sole service provider	99 310
K(ii) 5(10/2015)	ERP transition	RAMCO, Absalom System, Blue Bison IT solutions	Section 36 (1)(a)(ii): Sole service provider	26 010 687
K(ii) 5(10/2015)	Payment ECOMM Technologies as part of the implementation of the new ERP system	ECOMM Technologies	Section 36 (1)(a)(ii): Sole service provider	269 708
K(ii) 5(10/2015)	Water meter and equipment maintenance contract: payment of services rendered	Lesira-Teq	Section 36 (1)(a)(ii): Sole service provider	200 000

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

56. Supply Chain Management Regulations (continued)

K(ii) 3(01/2016)	Roll out of new tenders: I(F) 31/2015-A (165 x General vehicles), B (56 x Trucks), C (24 x Specialised Trucks), D (16 x earthmoving and plant) and E (5 x Motorbikes)	Fleet Africa (Pty)Ltd, Fleetmatics (Pty)Ltd, Aqua Plant Hire (Pty)Ltd and G-Fleet	Section 36 (1)(a)(v): Impossible/Impractical to follow official procurement process	162 727 344
K(ii) 3(01/2016)	Development of Muldersdrift Park	Tswellapele Plants CC t/s Plantwise	Section 36 (1)(a)(v): Impossible/Impractical to follow official procurement process	936 141
K(ii) 4(01/2016)	Interim, intermediate water supply programme (IIWSP) and Municipal Infrastructure Grant (MIG) Mogale City planned projects	Mthandeni 22 Trading Enterprise, Tsazamu Enterprise (Pty) Ltd, Serontabole Construction and Maintenance (Corporative), Mmesi Civil and Construction(Corporative), Gritty Trading and Projects. The below listed contractors were nominated as mitigation to the above not accepting the assignment: Ultivate Solutions and Joyful Attempt Construction Projects 15	Section 36 (1)(a)(v): Impractical to embark on an official procurement process	7 000 000
K(ii) 4(01/2016)	Reconciliation of BIQ - General Valuation roll and billing report to migrate into RMS	Linkages	Section 36 (1)(a)(v): Impractical to embark on an official procurement process	198 000
K(ii) 5(6/2016)	Replacement of Munsieville Proper water pipeline project in Mogale City Local Municipality	Tshau Civil	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	7 317 201
K(ii) 5(6/2016)	Kagiso housing repairs and roofing programme	Rembu Construction	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	17 200 500
K(ii) 5(7/2016)	Continuation of the rehabilitation of the Krugersdorp West Swimming Pool - construction of paving works	Rembu Construction	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	1 100 000
K(ii) 5(7/2016)	Implementation of a Building Efficiency Management System for Mogale City Local Municipality, Tender no: I (E) 25/2016: Supply, delivery, installation, commissioning and maintenance of a Smart Grid system to public buildings around Mogale City	Veritas Engineering & Project Management Consultants	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	2 820 408

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

56. Supply Chain Management Regulations (continued)

K(ii) 5(7/2016)	Supply, delivery, implementation and training of the compliance system and matters related thereto	CURA South Africa	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	613 255
K(ii) 5(7/2016)	Reconciliation between general valuation roll file and billing file in BIQ	Linkages	Section 36 (1)(a)(v): Impractical to follow the normal SCM process	745 000
				356 727 085

57. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 4.6% to 5%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Total borrowings

Finance lease obligation	14	50 046 991	11 559 295
Other financial liabilities	20	510 984 575	552 824 229
		561 031 566	564 383 524
Less: Cash and cash equivalents	5	67 291 647	165 853 426
Net debt		493 739 919	398 530 098
Total equity		5 121 428 223	5 152 589 060
Total capital		5 615 168 142	5 551 119 158

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

58. Borrowing cost

Borrowing Cost Capitalized	2016	2015
Opening Balance	10 255 347	4 440 027
Capitalized during the year	19 841 202	5 815 320
	30 096 549	10 255 347

Mogale city borrowed funds for infrastructure assets for the 2014/15 financial year. During 2014/15 Mogale city borrowed R239 500 000 million at a fixed interest rate of 9.875%.

59. Events after the reporting date

Mogale City Local Municipality did not have any events after the reporting date of the financial year.